

103  
**HEARING TO CONSIDER THE PRESIDENT'S NOMINATION OF CASSANDRA M. PULLEY TO BE DEPUTY ADMINISTRATOR OF THE U.S. SMALL BUSINESS ADMINISTRATION**

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Y 4. SM 1/2: S. HRG. 103-402

Hearing to Consider the President's... **HEARING**  
BEFORE THE  
**COMMITTEE ON SMALL BUSINESS**  
**UNITED STATES SENATE**  
**ONE HUNDRED THIRD CONGRESS**  
**FIRST SESSION**  
**ON**  
**PRESIDENT'S NOMINATION OF CASSANDRA M. PULLEY**

**TUESDAY, OCTOBER 19, 1993**



Printed for the Committee on Small Business

U.S. GOVERNMENT PRINTING OFFICE

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# HEARING TO CONSIDER THE PRESIDENT'S NOMINATION OF CASSANDRA M. PULLEY TO BE DEPUTY ADMINISTRATOR OF THE U.S. SMALL BUSINESS ADMINISTRATION

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TUESDAY, OCTOBER 19, 1993

U.S. SENATE,  
COMMITTEE ON SMALL BUSINESS,  
*Washington, DC.*

The Committee met, pursuant to notice, at 10:36 a.m., in room SR-428A, Russell Senate Office Building, Hon. Dale Bumpers, Chairman of the Committee presiding.

## OPENING STATEMENT OF HON. DALE BUMPERS, A U.S. SENATOR FROM THE STATE OF ARKANSAS

The CHAIRMAN. Today's hearing focuses on President Clinton's nomination of Cassandra Pulley of the District of Columbia to be Deputy Administrator of the Small Business Administration.

We welcome Ms. Pulley and, in a moment, I will recognize her to ask her to present any of her family who may be present.

Having visited with Ms. Pulley briefly, and reviewed her credentials in response to the Committee's questionnaire, it seems to me that President Clinton has made an excellent choice for small business and for the Small Business Administration. She has a very distinguished record in banking and finance, which complements that of Administrator Bowles, and which outshines any deputy administrator in recent memory.

The Deputy Administrator post is especially crucial for several reasons. First, it is not humanly possible for the Administrator to personally supervise every policy and personnel decision within the Small Business Administration and, at the same time, sit at the President's elbow on all important economic issues. And that is what President Clinton seems to want from this Administrator. And we are fortunate that Erskine Bowles is intimately involved in administration policy-making.

However, I suspect he could use some help in running this 4,000-person Agency, with its broad range of programs. Cassandra Pulley's considerable range of experience, from Mellon Bank to OPIC, to the American International Group, should place her in good stead. I would only caution her that the Small Business Administration and its programs, as vital as I believe they are to our economy, are not always easy to manage. Obviously, any financial program is going to attract its share of problem people, such as the

recent report that many borrowers in California had furnished false information to the Small Business Administration on loan applications.

The Administrator and the Deputy Administrator are ultimately responsible for ensuring that the intent of Congress, as ratified by the President, is carried out, and that the taxpayers' interests are protected.

In a moment, I will recognize Senator Pressler for any statement he may have.

Meanwhile, I want to welcome Ms. Pulley to the Committee. We look forward to hearing her testimony. Also, following the statements by D.C. Delegate Norton and that of Mr. Bowles, we will let her introduce any members of her family and hear her testimony.

Ms. Norton, we are most honored to have you with us this morning and look forward to hearing your introduction of our nominee.

**STATEMENT OF HON. ELEANOR HOLMES NORTON, A U.S.  
DELEGATE FROM THE DISTRICT OF COLUMBIA**

Ms. HOLMES NORTON. Thank you, Mr. Chairman.

Hometown Washington is proud today on three counts. We are proud that one of our own, Cassandra Pulley, is here, as a nominee of President Clinton to be Deputy Administrator of the Small Business Administration. We are proud that one of our own is so eminently well qualified for this post. And we are proud that one of our own has been nominated to a post of such special interest to our own burgeoning small business community, and to the invigorated small business community around the country.

Ms. Pulley has had the best preparation, we believe, for the post, from her own grassroots entrepreneurial origins, to her MBA from Northwestern, and including a distinguished career in banking, in the Federal service at OPIC, in a private company, and in starting and running her own small business. Cassandra Pulley, though a young woman, has done it all. She could not be better prepared for a post that is critical to the economy of this country, where President Clinton and the Congress has focused for job creation and the renewal of the economy.

I am especially pleased to both introduce, and recommend to you, Cassandra Pulley, for the post of Deputy Administrator of the U.S. Small Business Administration.

The CHAIRMAN. Thank you, Ms. Norton.

I understand that you are pressed for time this morning. We appreciate very much your taking the time out, and I know Ms. Pulley appreciates your taking the time to come over to be with us. You may feel free to leave now.

Ms. HOLMES NORTON. I appreciate that, Mr. Chairman.

The CHAIRMAN. I committed a slight procedural gaff a while ago, even though our ranking member, Senator Pressler, is not here, we do have Senator Bennett here, and I failed to ask Senator Bennett if he had any opening comments he wished to make.

Senator BENNETT. Thank you for your courtesy, Mr. Chairman.

No, I am here to listen and fully intend to vote favorably on this assignment.

The CHAIRMAN. Thank you, Senator Bennett.



Senator Kempthorne, do you have any opening remarks you would like to make on this nomination?

Senator KEMPTHORNE. No, thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator BENNETT. Mr. Chairman, I would, given the kinds of pressures we all seem to be under today—having just come from an Energy Committee meeting, and I have one at banking and governmental affairs, so I would move that the nomination be reported, subject to members being able to vote at the Committee hearing room prior to 5 p.m., in other words, a rolling quorum, so that if I have to leave I can vote in person.

The CHAIRMAN. Senator Bennett, that is a very fine motion. And unless there is an objection, that is agreed to. We will establish a rolling quorum during the day so we can report her nomination out of Committee.

Senator BENNETT. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Erskine Bowles, the Director of the Small Business Administration, is here with us this morning.

Welcome, Mr. Bowles, and we look forward to hearing your testimony regarding this nomination.

#### STATEMENT OF ERSKINE BOWLES, ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION

Mr. BOWLES. Thank you, Mr. Chairman.

If I could, I would like to have my testimony placed into the record. I would like to read to you from a few notes that I made as I thought about the opportunity to have Cassandra join us at the Small Business Administration.

Cassandra Pulley, without any question, is a leader, in the finest sense of that word. As I have grown to know her, she is a person who gets things done. She knows how to take an assignment from A to B to C. She is efficient. She is organized. And she is thorough.

Above all else, she has those strong people skills that are absolutely essential to making things happen in a positive, productive manner.

Cassandra Pulley is clearly qualified for this job. She has the ideal background, I believe, that you would look for in a leader of the Small Business Administration. She is a *magna cum laude* graduate of Kean University, and she holds an MBA from one of the Nation's most distinguished business schools, the Kellogg School of Management at Northwestern.

She also has ample real world experience in the private sector, having worked with the Mellon Bank, raising long-term capital for small businesses, and at AIG, where she was involved in refinancing and restructuring loan portfolios, international trade and marketing. She also has that all-important experience, as far as I am concerned, in coming to the Small Business Administration, of having started her own business, and having gone through all the problems that all of us do who start small businesses and build them into successful operations.

In other words, I believe she will be able to relate to our customers, the owners of small businesses.

While in her own business, she also advised many other small businesses on expanding into the international marketplace. And, clearly, we must teach small businesses how to access the international marketplace if we are going to build the jobs this country needs.

Cassandra also has what I have learned to appreciate since coming to Washington and that is very valuable experience in the public sector, having spent a number of years as a managing director of OPIC, where she had significant experience managing a loan portfolio devoted exclusively to small businesses.

In short, Cassandra, in my opinion, is an ideal candidate for the position of Deputy Administrator. I am confident we will work well together should you confirm her today. She will play an instrumental role as second in command in the day-to-day management of the Agency's operations, policy development and program supervision.

In summary, I need someone of Cassandra's enormous ability to carry out the President's mandate to make the Small Business Administration a more efficient, more effective, more user-friendly organization, that is focused on meeting the needs of small business and, at the same time, champions the needs of small business at the highest levels of Government.

Thank you, sir.

[The prepared statement of Mr. Bowles follows:]

PREPARED STATEMENT OF ERSKINE B. BOWLES, ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION

Thank you very much Mr. Chairman, Senator Pressler, and members of the Committee. It is both a pleasure and a privilege to be here today to endorse the nomination of Cassandra Pulley as Deputy Administrator of the U.S. Small Business Administration.

Mr. Chairman, I cannot tell you how pleased I am that Cassandra Pulley has been nominated by President Clinton to assume the deputy administrator position at the SBA. I am confident that Cassandra has the background and experience she will need to excel in this position.

Not only is Cassandra a qualified businesswoman with private sector expertise in marketing, business development, financial services, and corporate banking, but she also has ample public sector experience, having served in various capacities at the Overseas Private Investment Corporation.

Cassandra has worked throughout her career to provide advice and assistance to developing small businesses. First, as a commercial lender, Cassandra worked with small companies at Mellon Bank in Pittsburgh, PA. Later, Cassandra managed a lending program devoted exclusively to small businesses at the Overseas Private Investment Corporation. There she gained the important public sector experience that makes her especially qualified to serve as Deputy Administrator at SBA.

After leaving OPIC, Cassandra helped small companies expand into international markets while working at the American International Group and later when she began her own business, Business Strategies International, Inc. This exposure to international trade and investment also will prove invaluable at SBA, where we are committed to working together with Export Import Bank and the Department of Commerce to provide export financing to small businesses through the President's Trade Promotion Coordinating Committee.

As a result of these experiences, Cassandra has a commitment to developing small businesses that matches the philosophy that President Clinton has set out for the SBA. She understands small businesses.

As Deputy Administrator, Cassandra will serve as second-in-command and play an instrumental role in the day-to-day management of agency operations, policy development, and program supervision. In this capacity, Cassandra will strive to achieve the objectives that the President gave me to enhance the efficiency and effectiveness of the SBA.

These objectives will result in an SBA that is a leaner, more efficient organization that is focused on meeting the needs of small business and is organized to champion the needs of small business at the highest levels of government, ensuring that small business has a place at the economic policy table.

Mr. Chairman, I am confident that Cassandra Pulley shares my vision for the SBA and is fully qualified to help lead the SBA to achieve the President's goals that will result in a more streamlined SBA, which works smarter, harder, and more efficiently for its customers—the owners of small businesses. I strongly endorse and whole heartedly support her confirmation as Deputy Administrator of the Small Business Administration.

Thank you.

The CHAIRMAN. Mr. Bowles, thank you very much.

Does anybody have any questions?

[No response.]

The CHAIRMAN. Erskine, thank you very much for your testimony.

Cassandra, let me just ask you, if you will, do you have members of your family with you?

Ms. PULLEY. Yes.

The CHAIRMAN. We would be delighted to have you present them at this time, if you would.

Ms. PULLEY. Thank you; I would like to.

I would like to introduce my sisters, Ann, and Rose, and this is my niece Christy Jones.

The CHAIRMAN. Thank you all for being here. We appreciate it very much.

Cassandra, when you were in the office the other day, I did not realize you had an MBA from Northwestern.

Ms. PULLEY. Yes, sir.

The CHAIRMAN. That makes us brothers under the skin.

Ms. PULLEY. Yes, indeed, so to speak.

[Laughter.]

The CHAIRMAN. As I say, there were just a few of us born to rule, Cassandra.

[Laughter.]

Ms. PULLEY. It is clearly us.

The CHAIRMAN. Do you have an opening statement, Senator Burns?

Senator BURNS. May I submit it?

The CHAIRMAN. You have to get here on time if you want to deliver an opening statement.

Senator BURNS. Well, I had other duties, Mr. Chairman.

May I submit it, and just say that I am looking forward to listening to Ms. Pulley.

The CHAIRMAN. Without objection, your statement will be admitted for the record.

[The prepared statement of Senator Burns follows:]

PREPARED STATEMENT OF SENATOR BURNS, U.S. SENATOR FROM THE STATE OF  
MONTANA

Welcome Ms. Pulley. I am glad to have such a qualified nominee before the Small Business Committee.

I am especially pleased that your background involves work in the private sector—and also that you have run your own business. It's important that we have folks like you—who know how the real world works—in positions of leadership.

Coming from Montana, I understand the importance of small businesses. Ninety-eight percent of all the businesses in my State are small businesses. Keeping these

engines of economic growth healthy and free from undue government meddling is very important to me.

One of the issues of primary interest to me is opportunities for women in the business world. Each year, I hold a Women's Conference. How to succeed in the business world is always a popular topic. I hope you will consider visiting my beautiful State sometime soon—perhaps you could speak at one of these conferences.

I am also very interested in efforts to help displaced homemakers and other single women get the training they need to compete for high-wage jobs. Providing these folks with the tools to get back on their feet is a positive role for the government to play.

Do you have any special priorities with regard to assisting women gain access to these opportunities?

The CHAIRMAN. Please proceed Ms. Pulley.

**STATEMENT OF CASSANDRA M. PULLEY, DEPUTY ADMINISTRATOR-DESIGNATE, U.S. SMALL BUSINESS ADMINISTRATION**

Ms. PULLEY. Mr. Chairman, Senator Pressler and members of the Committee, it is an honor to appear before you today as President Clinton's nominee for the position of Deputy Administrator of the Small Business Administration. I would especially like to thank Congresswoman Holmes Norton for her kind words of introduction, and for her continuing efforts to provide assistance to the small business community in the District of Columbia.

As a member of that community and a resident of Washington, DC, I applaud her outstanding leadership.

President Clinton, like this Committee, and Congresswoman Holmes Norton, recognizes the importance of the small business sector to the revitalization of the American economy. He has chosen a successful and experienced small businessman, Erskine Bowles, to implement his goals for the Small Business Administration. These goals include assisting and reducing the credit crunch, and reducing the regulatory and paperwork burden on small businesses. Administrator Bowles has also been charged with reorganizing and reinvigorating the Agency, and serving as the President's eyes and ears in the small business community.

Administrator Bowles has stated his vision of a leaner, more efficient, more effective organization that is focused on meeting the needs of small business. It is a vision that I share. I am extremely fortunate to be offered the opportunity to join Administrator Bowles in this most important and exciting undertaking.

Mr. Chairman, I had the good fortune to grow up in the small town of Spring Hope, NC, in that most wonderful of God's creations, an extended family. It seems that I was related to everyone in my community by blood or marriage; my family and my community are one and the same. I was responsible to everyone, and everyone was responsible for me.

My family were entrepreneurial farmers, which means we were engaged in just about every activity required to support a rural community. At one time or another, members of my family have been farmers, restaurateurs, general store operators, building suppliers, manufacturers, contractors, painters, and slaughterhouse owners. I learned early the joys and frustrations of small business ownership.

The values instilled in us were simple: love of family, respect for our elders, appreciation of education, and a responsibility to treat others as we wished to be treated.

Mr. Chairman, although not everyone in my family could be here with me today, they are, as always, with me in spirit. I have just introduced my sisters; they are here as they have been with me for every major event in my life.

My undergraduate work was undertaken at the University of North Carolina, in Greensboro, and completed at Kean College of New Jersey. After receiving an MBA from the Kellogg School of Northwestern University in 1976, I started my career at Mellon Bank in Pittsburgh, Pennsylvania.

Mellon was known for its comprehensive commercial lending training program. Although a newly minted MBA, I was immediately placed in Mellon's specially designed commercial lending course work. I resented it mightily at the time; however, I soon came to appreciate the value of continued training, especially in the area of finance.

As a banker, my portfolio was diversified, ranging from Fortune 100 companies to small, family-owned businesses. I soon began to focus on the smaller companies in my portfolio, who wanted and needed a wider range of services from their banker.

In 1981, I was fortunate to be able to enter public service, and joined the Overseas Private Investment Corporation, OPIC. My 6 years at OPIC are among the most rewarding of my career. I was able to dispel many of my misconceptions of the Government bureaucracy, and came to understand that bureaucracy is as much a function of size and mind set as of sector. In addition, I had the opportunity to develop creative programs and approaches to doing business, and to work with many outstanding Government employees, both within my Agency and in others.

Finally, and most importantly, I was able to manage a lending program devoted exclusively to small businesses. Then, as now at the Small Business Administration, the demand for financial assistance by small businesses grew dramatically. Unfortunately, our staff did not. As a result, I learned that it is possible, within the confines of a Government agency, to do more with less.

After leaving OPIC in 1987, I returned to the private sector and joined a successful multinational company, American International Group, AIG, that is in most every sense of the word, entrepreneurial. While at AIG, I had the opportunity to open and manage a regional office for one of the company's subsidiaries.

In 1991, I left AIG and started my own business, Business Strategies International, Inc., BSI. BSI specializes in helping small companies expand into international markets by identifying market opportunities, structuring transactions and locating sources of financing.

My company was founded on a commitment to constant improvement and superior value. Its guiding philosophy is that a successful company not only responds quickly to customer requests, but anticipates them.

Because of the vital role the Small Business Administration plays in the development of American entrepreneurs, this is a philosophy that is appropriate to the Small Business Administration,

which now must explore innovative ways to deliver assistance to small businesses from a declining resource base.

Achieving the President's goals for the Small Business Administration and realizing the Administrator's vision will not be easy, particularly in the face of budgetary constraints. As the past year has shown, the demand continues to increase for Small Business Administration programs, such as the 7(a) program and the Disaster Assistance program. The Small Business Administration, like other Government agencies and private sector companies, will have to become more efficient.

Administrator Bowles has indicated that, to achieve these efficiencies, the Small Business Administration must build a team with pride in their work and a commitment to delivering the best possible service.

The Small Business Administration must refocus, reorganize and restructure so that the Agency's resources are directed toward those services and programs most important to its customers. The organization must be structured to provide efficient service delivery.

The Agency must review its services and programs, especially in comparison to those of sister agencies, to eliminate duplication and confusion for customers.

Finally, the Small Business Administration must make its services and programs user friendly, and remember that the Agency exists to serve small businesses.

The role of the Deputy Administrator, the Agency's chief operating officer, is crucial in implementing these goals and realizing this vision. As the person primarily responsible for the day-to-day operations of the Agency and policy and program development, the Deputy must be of one mind with the Administrator. They must have free and open communications, and have a relationship based on mutual trust and respect. Based on my initial work with Administrator Bowles, I know we can achieve that kind of relationship.

As a former lender and now as an entrepreneur whose client base includes small businesses at every stage of development, I recognize the importance of Government support to fledgling companies. I also recognize the importance of efficient and effective service delivery as the owner of a fledgling company.

If confirmed, I will work diligently to assist the Administrator in rationalizing and prioritizing the resources of the Small Business Administration. I will work to build a results-oriented management team and seek creative ways to enhance the skills of the Small Business Administration staff. I will seek to maximize the use of technology available to improve the management information system and facilitate application and review processes.

I look forward to the opportunity to join Administrator Bowles in creating an entrepreneurial Small Business Administration, and I hope that you will recommend me for confirmation.

Thank you for your consideration. I will be happy to answer any questions you may have.

## NOMINATION REFERENCE

As in executive session,  
Senate of the United States,

September 24, 1993

Ordered, that the following nomination be referred to  
the Committee on Small Business:

(See attached--PN678)

N678

*The White House.*

SEP 24 1993

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*To the*  
*Senate of the United States.*

*I nominate* Cassandra M. Pulley, of the  
District of Columbia, to be Deputy Administrator of the  
Small Business Administration, vice Paul H. Cooksey,  
resigned.



PN678

## NOMINATION REFERENCE AND REPORT

AS IN EXECUTIVE SESSION,  
SENATE OF THE UNITED STATES,  
September 24, 1993.

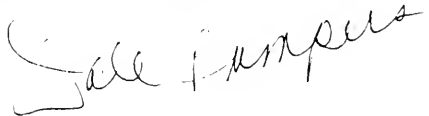
Ordered, that the following nomination be referred to the Committee on Small Business:

Cassandra M. Pulley, of the District of Columbia, to be Deputy Administrator of the Small Business Administration, vice Paul H. Cooksey, resigned.

October 19 , 1993.

Reported by Mr. Bumpers with the  
recommendation that the nomination be *confirmed*.

The above nomination was approved subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.

A handwritten signature in dark ink, appearing to read "Dale Bumpers", is written over the printed text of the report.

UNITED STATES SENATE  
COMMITTEE ON SMALL BUSINESS  
STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

A. BIOGRAPHICAL DATA

NAME: PULLEY (Last)	CASSANDRA (First)	MARIA (Other)	
POSITION TO WHICH NOMINATED: Deputy Administrator - U.S. SBA		DATE OF NOMINATION: 9/27/93	
DATE OF BIRTH:	09      12      49 Day      Month      Year	PLACE OF BIRTH: Raleigh, North Carolina	
MARITAL STATUS: Separated	SOCIAL SECURITY NUMBER: 240-74-4835	FULL NAME OF SPOUSE: Leonard H. Robinson	
NAME AND AGES OF CHILDREN      None			
Name/Age		Name/Age	
EDUCATION:			
Institution	Dates Attended	Degrees Received	Dates of Degrees
Northwestern University	9/74 - 6/76	Master of Business Administration	6/76
Kean College of N.J.	1/73 - 8/74	Bachelor of Arts	8/74
University of N.C. - Greensboro	8/67 - 6/69		
EMPLOYMENT			
List below all positions held since college, including the title and description of job, name of employer, location and dates. If it would simplify this question for you, you may attach a copy of page 3 of the SF-86 instead of listing the information below. Please clearly indicate that you have selected this, if you do, below.			
Please see attached copy of page 3 of SF-86			

## YOUR EMPLOYMENT ACTIVITIES (Continued)

Month/Year	Month/Year	Code	Employer's Name/Military Service/Unemployment or Self-Employment Venter	Your Position Title
4/81	To 12/87	4	Overseas Private Investment Corp	Managing Director
Employer's/Venter's Street Address			City (Country)	State ZIP Code Telephone Number
1100 New York Avenue, NW			Washington	D.C. 210151217 (202) 336-
Street Address of Job Location (if different than Employer's Address)			City (Country)	State ZIP Code Telephone Number
				( ) ( ) ( )
Supervisor's Name & Street Address (if different than Job Location)			City (Country)	State ZIP Code Telephone Number
Robert Dragon				( ) ( ) ( )

PREVIOUS PERIODS OF THE SAME ACTIVITY AND LOCATION - IF CONTINUATION SHEET IS USED, SHOW BLOCK #

Month/Year	Month/Year	Your Position Title & Supervisor's Name	Month/Year	Month/Year	Your Position Title & Supervisor's Name
To			To		
To			To		

Month/Year	Month/Year	Code	Employer's Name/Military Service/Unemployment or Self-Employment Venter	Your Position Title
8/76	To 3/81	9	Mellon Bank	Assistant Vice President
Employer's/Venter's Street Address			City (Country)	State ZIP Code Telephone Number
Mellon Square			Pittsburgh	PA 15121217 (412) 234-
Street Address of Job Location (if different than Employer's Address)			City (Country)	State ZIP Code Telephone Number
				( ) ( ) ( )
Supervisor's Name & Street Address (if different than Job Location)			City (Country)	State ZIP Code Telephone Number
F. Dean Baderscher				( ) ( ) ( )

PREVIOUS PERIODS OF THE SAME ACTIVITY AND LOCATION - IF CONTINUATION SHEET IS USED, SHOW BLOCK #

Month/Year	Month/Year	Your Position Title & Supervisor's Name	Month/Year	Month/Year	Your Position Title & Supervisor's Name
To			To		
To			To		

Month/Year	Month/Year	Code	Employer's Name/Military Service/Unemployment or Self-Employment Venter	Your Position Title
To				
Employer's/Venter's Street Address			City (Country)	State ZIP Code Telephone Number
				( ) ( ) ( )
Street Address of Job Location (if different than Employer's Address)			City (Country)	State ZIP Code Telephone Number
				( ) ( ) ( )
Supervisor's Name & Street Address (if different than Job Location)			City (Country)	State ZIP Code Telephone Number
				( ) ( ) ( )

PREVIOUS PERIODS OF THE SAME ACTIVITY AND LOCATION - IF CONTINUATION SHEET IS USED, SHOW BLOCK #

Month/Year	Month/Year	Your Position Title & Supervisor's Name	Month/Year	Month/Year	Your Position Title & Supervisor's Name
To			To		
To			To		

Month/Year	Month/Year	Code	Employer's Name/Military Service/Unemployment or Self-Employment Venter	Your Position Title
To				
Employer's/Venter's Street Address			City (Country)	State ZIP Code Telephone Number
				( ) ( ) ( )
Street Address of Job Location (if different than Employer's Address)			City (Country)	State ZIP Code Telephone Number
				( ) ( ) ( )
Supervisor's Name & Street Address (if different than Job Location)			City (Country)	State ZIP Code Telephone Number
				( ) ( ) ( )

PREVIOUS PERIODS OF THE SAME ACTIVITY AND LOCATION - IF CONTINUATION SHEET IS USED, SHOW BLOCK #

Month/Year	Month/Year	Your Position Title & Supervisor's Name	Month/Year	Month/Year	Your Position Title & Supervisor's Name
To			To		
To			To		

Enter your Social Security Number before going to the next page → 240-74-4835

Cassandra Fulley

## 11 YOUR EMPLOYMENT ACTIVITIES

Fill in your employment activities, beginning with the present (#1) and working backward 15 years. INCLUDE:

- all full-time work
- all part-time work
- all paid work
- active military duty
- self-employment
- all periods of unemployment

IN THE NUMBERED ACTIVITY SECTION USE ONE OF THESE CODES IN THE CODE BLOCK:

- |                                   |                                                                                |                                                             |           |
|-----------------------------------|--------------------------------------------------------------------------------|-------------------------------------------------------------|-----------|
| 1 - Active military duty stations | 5 - State Government (Non-Federal) employment                                  | 7 - Unemployment (Enter name of person who can verify)      | 9 - Other |
| 2 - National Guard/Reserve        | 6 - Self-employment (Enter business name and/or name of person who can verify) | 8 - Federal Contractor (Not Contractor, not Federal agency) |           |
| 3 - U.S.P.H.S. Commissioned Corps |                                                                                |                                                             |           |
| 4 - Other Federal employment      |                                                                                |                                                             |           |

FOR EACH ACTIVITY SECTION, provide information requested. For example, if you had worked at XY Plumbing in Denver, CO, for 3 separate periods of time, you would enter dates and information concerning the most recent period of employment first, and provide dates, position titles, and supervisors for the two previous periods of employment in the appropriate blocks below that information. (For locations outside the U.S., show city and country.)

#1	Month/Year	Month/Year	Code	Employer's Name/Military Service/Unemployment or Self-Employment/Venture	Your Position Title		
Present	7/91	present	6	Business Strategies International, Inc.	President		
Employer's/Venture's Street Address				City (Country)	State ZIP Code Telephone Number		
1642 Myrtle Street, NW				Washington	D C 2101072 (202) 882-6		
Street Address of Job Location (if different than Employer's Address)				City (Country)	State ZIP Code Telephone Number		
Supervisor's Name & Street Address (if different than Job Location)				City (Country)	State ZIP Code Telephone Number		
Charles Myrick, CPA 1000 16th St. Suite 304				Washington	D C 20013161 (202) 728-4		
PREVIOUS PERIODS OF THE SAME ACTIVITY AND LOCATION - IF CONTINUATION SHEET IS USED, SHOW BLOCK #							
Month/Year	Month/Year	Your Position Title & Supervisor's Name		Month/Year	Month/Year	Your Position Title & Supervisor's Name	
To	To			To	To		
To	To			To	To		
#2	Month/Year	Month/Year	Code	Employer's Name/Military Service/Unemployment or Self-Employment/Venture	Your Position Title		
	9/89	6/91	9	A. I. Credit Corp	Vice President		
Employer's/Venture's Street Address				City (Country)	State ZIP Code Telephone Number		
160 Water Street				New York	N Y 1000318 (212) 428-54		
Street Address of Job Location (if different than Employer's Address)				City (Country)	State ZIP Code Telephone Number		
1200 19th Street, NW				Washington	D C 2101036 (office clo		
Supervisor's Name & Street Address (if different than Job Location)				City (Country)	State ZIP Code Telephone Number		
Richard Collins 75 E. Uchlan Ave. Suite 114				Exton	P A 193141 (215) 594-92		
PREVIOUS PERIODS OF THE SAME ACTIVITY AND LOCATION - IF CONTINUATION SHEET IS USED, SHOW BLOCK #							
Month/Year	Month/Year	Your Position Title & Supervisor's Name		Month/Year	Month/Year	Your Position Title & Supervisor's Name	
To	To			To	To		
To	To			To	To		
#3	Month/Year	Month/Year	Code	Employer's Name/Military Service/Unemployment or Self-Employment/Venture	Your Position Title		
	1/88	8/89	9	American International Underwriters	Vice President - Special		
Employer's/Venture's Street Address				City (Country)	State ZIP Code Telephone Number		
70 Pine Street				New York	N Y 1001018 (212) 770-700		
Street Address of Job Location (if different than Employer's Address)				City (Country)	State ZIP Code Telephone Number		
Supervisor's Name & Street Address (if different than Job Location)				City (Country)	State ZIP Code Telephone Number		
Dan Jorgensen							
PREVIOUS PERIODS OF THE SAME ACTIVITY AND LOCATION - IF CONTINUATION SHEET IS USED, SHOW BLOCK #							
Month/Year	Month/Year	Your Position Title & Supervisor's Name		Month/Year	Month/Year	Your Position Title & Supervisor's Name	
To	To			To	To		
To	To			To	To		

Enter your Social Security Number before going to the next page

→

## B. FUTURE EMPLOYMENT RELATIONSHIPS

1. What are your intentions regarding connections with your present employer, business firm, association or organization if you are confirmed by the Senate.
I will place my consulting practice, Business Strategies International, Inc. in inactive status.
2. Do you have any plans after completing government service to resume employment, affiliation or practice with your current or any previous employer, business firm, association or organization?
Yes. I expect to reactivate my consulting practice. In doing so, I will
abide my all restrictions governing post-employment activities by former
government employees.
3. Has anyone made a commitment to employ your services in any capacity after you leave government services?
No.
4. If confirmed, will you serve your full term of office?
Yes.

## C. FINANCIAL DATA

1. Attach a copy of your Executive Personnel Financial Disclosure Report (SF-278).
2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, uncompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services and firm memberships or from former employers, clients and customers. Amounts should be indicated by the categories established for reporting income on Form SF-278, Schedule A.
None
3. List sources and amounts of all items of value received during each of the past 3 years (including, but not limited to, salaries, wages, fees, dividends, capital gains or losses, interest, gifts, rents, royalties, patents and honoraria of yourself, your spouse and other immediate members of your household. (In lieu of the above, you may submit copies of your Federal income tax returns for these years.)
Please see attached copies of income tax returns for 1990-1992
4. Have you declared bankruptcy? If so, describe the circumstances.
No.
5. Have you ever been a party to a lawsuit either as a plaintiff or defendant? If so, please explain the circumstances of the outcome.
No.
6. Have you filed Federal and state income tax returns in a timely manner for each of the past 10 years? If not, please explain.
Yes.
7. Has the Internal Revenue Service ever conducted an audit of your Federal tax return? If so, what resulted from the audit?
No.

## D. POTENTIAL CONFLICTS OF INTEREST

1. List any investments, obligations, liabilities or other relationships which might cause potential conflicts of interest with the position to which you have been nominated.
None
2. Describe any business relationship, dealing or financial transaction (other than taxpaying) that you have had during the past 10 years with the Federal Government, whether for yourself or relatives, on behalf of a client or acting as an agent, which might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.
None
3. Describe any lobbying activity which you have performed during the past 10 years with respect to legislative or administrative actions at the Federal, state, or local level.
None
4. Have you been informed of the conflict of interest laws and regulations applicable to the position to which you have been nominated?
Yes
5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to this form and the attachments thereto. Attach a statement of the appropriate agency ethics official explaining the applicable laws or regulations, any potential conflicts and the action required to resolve such conflicts.
I will refer any such matters to the SBA's Designated Agency Ethics Officer for appropriate disposition, and I will abide by any such disposition. To my knowledge, no such potential conflicts of interest exist.
6. Explain how you will resolve any potential conflicts of interest that may arise in the future if you are confirmed for the position for which you have been nominated.
I will be counseled upon my confirmation by SBA's Designated Agency Ethics Officer on the process for resolution of conflicts of interest and I will recuse myself from all such situations or take such other action as may be necessary to avoid any regulatory problem.

## E. CIVIL, CRIMINAL AND INVESTIGATORY ACTIONS

1. Give the full details of any criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, state or local agency in which you were the subject of the inquiry or investigation.
FBI background check prior to beginning employment with the Overseas
Private Investment Corporation in 1981
2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.
None

## F. TESTIFYING BEFORE CONGRESS

1. Are you willing to appear and testify before any duly constituted Committee of the Congress on such occasions as you may be reasonably requested?
Yes
2. Are you willing to provide such information as is requested by such Committee?
Yes

## G. OTHER

Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.
Please see attached statement



Cassandra M. Pulley

#### G. OTHER

The skills and experiences that I have acquired over the course of my career provide a perfect compliment to those of Administrator Erskine Bowles, and make for an ideal management team for the Small Business Administration.

Like Administrator Bowles, I began my career at a premier financial institution. In my case, Mellon Bank in Pittsburgh, PA. With a firm foundation in credit and financial analysis and cash management, I became a lending officer with a portfolio that included Fortune 500 customers and small family-owned businesses. I learned very early the differing needs of small and large companies.

In 1981, I joined the Overseas Private Investment Corporation (OPIC) to continue a long-standing commitment to contribute to society. OPIC's goal of promoting development by facilitating private sector investments in developing countries was the perfect opportunity to blend the business and financial skills acquired in the private sector with the public sector role of fostering economic development.

At OPIC, I managed the corporations' annual \$23 Million fund for financing small business investments in developing countries. During this period, my knowledge of and appreciation for the strengths and needs of small businesses grew tremendously.

After six (6) years of government service, during which time I acquired experience in management, product development and strategic planning, and broadened my knowledge of marketing and business development, I returned to the private sector to work with an "entrepreneurial" multinational corporation, American International Group (AIG). While one of the largest and most profitable financial institutions in the country, AIG is operated as a collection of small businesses.

While at AIG, I had the opportunity to establish and manage an office for the company's subsidiary that specialized in providing trade finance to small and medium-sized companies. I broadened my financial skills to include trade financing, in addition to domestic lending and development banking.

In 1991, I left AIG and established my own small business, Business Strategies International, Inc. (BSI). BSI specializes in providing strategic marketing and assistance with financing to small companies seeking to enter and/or expand in international markets.

President Clinton has indicated his belief that small businesses are vital to the growth and expansion of the American economy. The President has indicated his desire to have the Small Business Administration assist small businesses in every way possible.

I have the requisite skills, experience, commitment and enthusiasm to assist Administrator Bowles in this most important undertaking.

## 13. REMARKS

[illegible]

## I. PUBLIC DISCLOSURE

Public Disclosure of all or part of this form is optional according to committee. See applicable committee instructions.) Do you have any objections to this form and the attachments being made public?
No

## J. AFFIDAVIT

I, Cassandra Pulley, being duly sworn, hereby state that I have read the foregoing Statement for Completion by Presidential Nominees, including all attachments thereto, and that the information provided therein is, to the best of my knowledge and belief, current, accurate and complete.

Rosandra M. Piller  
(Signature of Nominee)

Subscribed and sworn to before me this 30<sup>th</sup> day of September, 1993

*Queen Esther Scott*  
(Notary Public)

Queen Ec.

Nowy Public  
Commissioner



United States  
**Office of Government Ethics**  
1201 New York Avenue, NW., Suite 500  
Washington, DC 20005-3917

September 29, 1993

The Honorable Dale L. Bumpers  
Chairman  
Committee on Small Business  
United States Senate  
Washington, DC 20510-6350

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Cassandra M. Pulley-Robinson, who has been nominated by President Clinton to be Deputy Administrator of the Small Business Administration.

We have reviewed the report and have also obtained advice from the Small Business Administration concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is a letter from the ethics official of the agency, dated September 28, 1993, which discusses Ms. Pulley-Robinson's ethics agreements with respect to resignations, recusals, and certain other matters.

Based thereon, we believe that Ms. Pulley-Robinson will be in compliance with the applicable laws and regulations governing conflicts of interest.

Sincerely,

A handwritten signature in dark ink, appearing to read "Stephen D. Potts".

Stephen D. Potts  
Director

Enclosures



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416



SEP 28 1993

Mr. Stephen D. Potts  
Director  
Office of Government Ethics  
1201 New York Avenue, N.W.  
Suite 500  
Washington, DC 20005-3917

Dear Mr. Potts:

Pursuant to § 2634.201(c)(1) of the Office of Government Ethics Regulations (5 C.F.R. § 2634.201(c)(1)), I am submitting herewith as the Designated Agency Ethics Official for the Small Business Administration (SBA) under the Ethics in Government Act, the required Financial Disclosure Report (SF-278; Rev. 1/91) (Report) of Cassandra M. Pulley, the nominee for Deputy Administrator of the Small Business Administration, and my review thereof.

The principal regulatory provisions that were germane to the review of Ms. Pulley's Report were:

(1) the provisions of § 2635.402 of the Office of Government Ethics regulations, 5 C.F.R. § 2635.402, which prohibit an employee of the SBA from participating personally and substantially in an official capacity in any particular matter in which, to his or her knowledge, he or she or any person whose interests are imputed to him or her, has a financial interest, if the particular matter will have a direct and predictable effect on that interest;

(2) the provisions of § 2635.403 of the Office of Government Ethics regulations, 5 C.F.R. § 2635.403 which prohibit an employee of the SBA from acquiring or holding any financial interest that he or she is prohibited from acquiring or holding by statute, by agency regulations or by reason of an agency determination of substantial conflict of interest;

(3) the provisions of § 105.506(b)(1) of SBA's Standards of Conduct Regulations (13 C.F.R. 105.506(b)(1)) which require that the continued holding of direct or indirect interests by an SBA employee, or member of his or her household, in institutions which participate with SBA in any of its investment or financial assistance programs be approved by SBA's Standards of Conduct Committee;

(4) the provisions of § 4(b)(1) of the Small Business Act (15 U.S.C. 633(b)) which require that "the Administrator shall not engage in any other business, vocation or employment than that of serving as Administrator," and

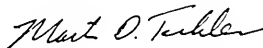
(5) the provisions of § 2635.502 of the Office of Government Ethics regulations, 5 C.F.R. § 2635.502 which require that an employee of SBA consider the appearance of partiality in the discharge of his or her responsibilities.

The following matters have arisen as a result of a review of Schedule A of the Report. Prior to her nomination to be Deputy Administrator of SBA, Ms. Pulley has operated her own firm, Business Strategies International, Inc. (SII). She has advised that she will withdraw from all involvement with the firm upon her confirmation and have no ongoing financial or personal involvement with the firm during her tenure as Deputy Administrator. In addition, she has agreed that she will recuse herself from official contact with all of the firm's clients. Upon her confirmation, such recusals will be prepared by this office for her execution. This should satisfactorily satisfy any concerns with respect to SII relative to the above-referenced regulations and statute.

In addition, Ms. Pulley has agreed to recuse herself from any official actions relative to ICF International Inc. and Washington Strategic Consulting Group, Inc. in the unlikely event that such occasion arises. The former is a firm in which she has a financial interest and the latter is her husband's employer. Neither firm presently has any SBA involvement. Again, the necessary recusals will be prepared and executed upon Ms. Pulley's confirmation.

If you have any questions regarding this matter, you may contact me or Robinson S. Nunn of my office at (202) 205-6644.

Sincerely,



Martin D. Teckler  
Deputy General Counsel and  
Designated Agency Ethics Official

Enclosure



Reporting Individual's Name

Cassandra M. Pulley-Robinson

SCHEDULE A

Page Number

2

Assets and Income

Valuation of Assets  
at close of  
reporting period

Income: type and amount. If "None (or less than \$201)" is checked, no other entry is needed in Block C for that item.

BLOCK A

BLOCK B

BLOCK C

	Type	Amount										Date (Mo., Day, Yr.)  Only if Honorary
		None (or less than \$201)	\$201 - \$1,000	\$1,001 - \$2,500	\$2,501 - \$5,000	\$5,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$1,000,000	Over \$1,000,000	Actual Amount Only if "Other" is specified	
Identify each asset held for the production of income which had a fair market value exceeding \$1,000 at the close of the reporting period.  Identify each asset or source of income which generated over \$200 in income during the reporting period.	Dividends	Rent and Royalties	Interest	Capital Gains	Excepted Investment Fund	Excepted Trust	Qualified Trust	Other (Specify Type)				
1	None (or less than \$1,001)											
2	Business Strategies Int'l, Inc.											
3	T. Rowe Price Mutual Funds: International Stock New America Growth New Era (IRA's)	X	X	X	X	X	X					
4	Charles Schwab IRA Explorer Fund Windsor II	X	X	X	X	X						
5	CF International (common stock)	X										
6	Washington Strategic Consulting Group, Inc.											
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# SCHEDULE C

Reporting Individual's Name  
Cassandra N. Pulley-Robinson

## Part I: Liabilities

Report liabilities over \$10,000 owed to any one creditor at any time during the reporting period by you, your spouse, or dependent child. Check the highest amount owed during the reporting period. Exclude a mortgage on your personal residence unless it is rented out, loans secured by automobile, household furniture or appliances, and liabilities owed to certain relatives listed in instructions. See instructions for revolving charge accounts.

Line	Creditor Name and Address	Type of Liability	Date Incurred	Interest Rate	Term of Liability	Enter copy of Amount or Value (at)									
						100%	12.5%	10%	25 Yr	15 Yr	10 Yr	5 Yr	1 Yr	Other	Other
1	Example: Frank Dimes, 1234 St. Washington, DC	Mortgage on rental property, 1234 St. Washington, DC	1/1/11	12.5%	25 Yr										
2															
3															
4															
5															

## Part II: Agreements or Arrangements

Report your agreements or arrangements for future employment, employee benefit plan. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

Line	Name and Terms of any Agreement or Arrangement	Description of the Agreement or Arrangement	Date of Agreement or Arrangement	Term of Agreement or Arrangement	Value of Agreement or Arrangement	Other
1	Example: Pursuant to partnership agreement, will receive lump sum payment of capital account & partnership share calculated on services performed through 1/1/11 and retained interest benefits (including 10% of partnership profits)					
2						
3						
4						
5						
6						

SI-28 (Rev. 1/79)  
OMB No. 1545-0047  
U.S. District Government Ethics

Reporting Individual's Name

Cassandra N. Pulley-Robinson

# SCHEDULE D

Page Reported

5

## Part I: Positions Held Outside U.S. Government

Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. Exclude positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

None ☐

Example	Position (Name of Employer)	Employer's Address (Street, City, State, Zip)	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
	President of Bank Collectors NY NY	One Jones & Smith, Hamilton, USA	Non-profit education	President	4/82	Present
1	Business Strategies International, Inc.	1642 Myrtle Street, NW Washington, DC	consulting firm	President	9/91	present
2	Columbia Hospital Foundation	4425 L Street NW Washington, DC	nonprofit hospital	Board Member	6/90	present
3	Downtown Clusters Geriatric Daycare Center	400 9th Street, NW Washington, DC	nonprofit organization	Board Member	6/01	present
4						
5						
6						

## Part II: Compensation In Excess Of \$5,000 Paid by One Source

Report sources of more than \$5,000 compensation received by you or your spouse during the reporting period. Compensation should directly be you during the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any non-profit organization when you directly provided the services generating a fee or payment of more than \$5,000. You need not report the U.S. Government as a source.

Incumbent/  
Termination File/  
Candidate ☐  
Not Applicable ☐  
None ☐

Source (Name of Client)	Legal services	Other (Description of Service)
Example	Legal services	Legal services in connection with university construction
Multinational Strategies, Inc.	consulting services	
67 Irving Street, New York, New York		
1 - 11111 of 11111 Street, 11111		

For more information, contact US-11111

The CHAIRMAN. Thank you very much, Ms. Pulley.

Let me, at this time, defer to the ranking member, Senator Pressler, for any opening statement he may have that he wishes to make, and was not here previously to present.

Senator PRESSLER. I wish to place my statement in the record so my colleagues can ask questions.

I have some questions, but I do have a statement for the record.

The CHAIRMAN. Your statement will be admitted for the record. I also ask that the statements of Senators Heflin and Moseley-Braun be included in the record.

[The prepared statement of Senators Pressler, Heflin and Moseley-Braun follow:]

PREPARED STATEMENT OF SENATOR PRESSLER, A U.S. SENATOR FROM THE STATE OF  
SOUTH DAKOTA

Mr. Chairman, thank you. I am pleased to be here today considering the nomination of Cassandra Pulley to be the next Deputy Administrator of the U.S. Small Business Administration (SBA).

I was pleased to meet recently with Ms. Pulley. Like Administrator Bowles, Ms. Pulley understands the financing needs of small business. Indeed, as the owner of her own small business—a business she started in her home—she understands many of the challenges facing America's entrepreneurs. This personal experience will serve her well should she be confirmed by the Senate. As she can attest to firsthand, small business is the strong arm of our economy.

This Committee must work closely with the SBA to ensure that continues. We must reduce paperwork and regulatory burdens on small businesses. We also need a tax code designed to encourage long-term business investment and job creation. In addition, entrepreneurs want health care reform that won't close more doors through mandates and taxes than it opens.

Ms. Pulley also has an extensive background in multinational business affairs. Our world is shrinking day by day and it is vital that small businesses not be left behind in the ever-expanding global marketplace. I hope that with her expertise in this area, the Small Business Administration can reach out to small firms to help them gather the information and resources they need to take American entrepreneurship around the world.

The problems of trade and exporting are just a few among many facing small businesses as we move toward the 21st century. I am pleased the position of Deputy Administrator will soon be filled as there is much work for all of us to do. I welcome Ms. Pulley to the Committee and look forward to hearing from her.

---

PREPARED STATEMENT OF SENATOR HEFLIN, A U.S. SENATOR FROM THE STATE OF  
ALABAMA

Mr. Chairman, I was very impressed with the President's nomination of Erskine Bowles for SBA Administrator, and I am equally pleased with his choice for Deputy Administrator. The reason for my contentment is the background these nominees bring to the Small Business Administration. A background that is full of experience in the business world.

In the modern world it is imperative that American business be as competitive as possible. If we are to have a Small Business Administration it should serve as a help and not a hindrance to small business. In order to ensure that the Administration is moving in this direction it must be guided by people who understand the state of American business and the challenges facing the small business person.

Like Administrator Bowles, Ms. Pulley established her own business. And, again like the Administrator, Ms. Pulley's firm was one designed to help other small firms improve themselves. I do not believe we could draw up a better resume than the one the President has placed before us. Ms. Pulley fits this position.

We have come to a time of rethinking government. Included in this contemplation is the future of the Small Business Administration. The President and Administrator Bowles have demonstrated their willingness to rework the Small Business Administration. I believe this is wise. Many small businesses in my State have contacted me with numerous suggestions for changes, some of which I hope to touch on in

my questioning. I applaud the President on his nomination and I look forward to the reforms to come. Thank you Mr. Chairman.

#### QUESTIONS FOR CASSANDRA M. PULLEY FROM SENATOR HEFLIN

*Question 1.* My greatest concern with the SBA right now is the 8(a) program. A number of 8(a) companies in my State are graduating from the program only to find themselves with nowhere to go. Generally, after the allotted time period most of these businesses have not had sufficient time to develop. Perhaps it would be wise to reexamine the fixed period of participation. What would you think of increasing the period to 12 years, particularly in the high-tech area?

*Question 2.* Additionally, high-tech companies in my State are having a very difficult time meeting the currently required mix of 8(a) and non-8(a) business requirements. The possibility for compliance is even further reduced by the changes in government contracting practices designed to reduce costs. What would you think of easing the mix requirements.

#### PREPARED STATEMENT OF SENATOR MOSELEY-BRAUN, A U.S. SENATOR FROM THE STATE OF ILLINOIS

Mr. Chairman, we are here today to consider the nomination of Cassandra Pulley for the position of SBA Deputy Administrator. The position Ms. Pulley is being considered for is an important one. As the Deputy Administrator she will be the second in command over an agency charged with assisting small businesses in this country.

Her nomination comes at an important time. In the U.S., small businesses create 80 to 85 percent of the new jobs. Between 1988 and 1990 alone, businesses with less than 20 employees created more than 4 million new jobs. The continued prosperity of this country depends, on a significant part, on the continued creation and growth of small businesses.

In addition, our economy is changing. The United States is a part of a competitive, global economy. In order to maintain our standard of living, we need to make the best quality products and services, and to sell those products and services here at home and in foreign markets. Our ability to export is becoming an increasingly more important part of our economic well-being.

I am glad to see that Ms. Pulley has significant experience in the area of export financing. Her knowledge and experience in that field will be valuable at the Small Business Administration.

The SBA is facing many challenges and needs strong administrators to help it meet its mandate of assisting small businesses, especially historically disadvantaged minority small business. The recent report by the U.S. Commission on minority small business is extremely critical of the SBA's performance in assisting minority small businesses. According to the report, the capital ownership development or 8(a) program does not adequately prepare minority small businesses, so they can graduate from the program and be successful in the marketplace.

The criticisms contained in the U.S. Commission on minority business and the September GAO report on the SBA's continuing program with its Minority Business Development program needs to be reviewed and addressed. I hope Ms. Pulley will review these reports closely and I look forward to her recommendations on how the minority business program can be improved.

The Small Business Administration has been given a number of tools to assist small business owners in overcoming the numerous obstacles that they face—from difficulty in finding venture capital to insurance discrimination. It is important that the Small Business Administration use those tools efficiently and effectively.

Great challenges face America's small business owners. I look forward to working with Ms. Pulley and the Small Business Administration in helping American small businesses meet those challenges. I look forward to hearing Ms. Pulley's comments.

Senator BENNETT. I wanted to tell my ranking member what I did.

The CHAIRMAN. Senator Bennett has made the motion that the nomination be reported, subject to members being able to vote in the Committee hearing room prior to 5 p.m. That motion has been agreed to prior to your arrival, Senator Pressler. I assume you would not object to that.

Senator PRESSLER. Wonderful.

The CHAIRMAN. It might be well, in case members have other duties that they need to attend to, to do a roll call vote right now, and then leave it open until 5 p.m., and then we will go to questions of Ms. Pulley.

Does anybody have any objection to that procedure?

[No response.]

The CHAIRMAN. Will the clerk please call the roll?

Ms. LECKY. Mr. Nunn.

The CHAIRMAN. Aye, by proxy.

Ms. LECKY. Mr. Levin.

The CHAIRMAN. Just a moment.

Senator Bennett, your motion was that they be able to vote in the hearing room. Do you have an objection to voting proxies on this?

Senator BENNETT. I have none.

The CHAIRMAN. With that, your motion will be amended, without objection, to include proxy votes.

Senator Nunn votes aye, by proxy.

Ms. LECKY. Mr. Levin.

[No response.]

Ms. LECKY. Mr. Harkin.

The CHAIRMAN. Mr. Harkin votes aye, by proxy.

Ms. LECKY. Mr. Kerry.

The CHAIRMAN. Mr. Kerry votes aye, by proxy.

Ms. LECKY. Mr. Lieberman.

[No response.]

Ms. LECKY. Mr. Wellstone.

Senator WELLSTONE. Aye.

Ms. LECKY. Mr. Wofford.

[No response.]

Ms. LECKY. Mr. Heflin.

[No response.]

Ms. LECKY. Mr. Lautenberg.

The CHAIRMAN. Mr. Lautenberg votes aye, by proxy.

Ms. LECKY. Mr. Kohl.

[No response.]

Ms. LECKY. Ms. Moseley-Braun.

[No response.]

Ms. LECKY. Mr. Pressler.

Senator PRESSLER. Aye.

Ms. LECKY. Mr. Wallop.

[No response.]

Ms. LECKY. Mr. Bond.

Senator PRESSLER. Aye, by proxy.

Ms. LECKY. Mr. Burns.

Senator BURNS. Aye.

Ms. LECKY. Mr. Mack.

Senator PRESSLER. Aye, by proxy.

Ms. LECKY. Mr. Coverdell.

[No response.]

Ms. LECKY. Mr. Kempthorne.

Senator KEMPTHORNE. Aye.

Ms. LECKY. Mr. Bennett.

Senator BENNETT. Aye.

Ms. LECKY. Mr. Chafee.

[No response.]

Ms. LECKY. Ms. Hutchison.

[No response.]

Senator PRESSLER. Mr. Chafee is aye, by proxy.

Ms. LECKY. Mr. Bumpers.

The CHAIRMAN. Aye.

You are effectively confirmed with 14 ayes, but we will still leave the vote open until 5 p.m.

Ms. Pulley, first of all, I want to say that, based on my visit with you in my office the other afternoon and your testimony this morning and your background, I feel that you are eminently qualified for this position. You are a very impressive person. I personally feel that, as I said in my opening statement, President Clinton has done himself proud and he has done the country proud by naming you to this very important position, which I know you are going to hold with considerable distinction.

I have looked over the FBI report on your background. I do not find anything there that presents a conflict. I do not find anything that raises any questions in my mind that would in the least deter or disqualify you from holding this position. Therefore, I have no questions.

Senator Pressler.

Senator PRESSLER. Mr. Chairman, I want to ask a question about this publication called the Health Security Act.

Are you familiar with this?

Ms. PULLEY. Yes, sir.

Senator PRESSLER. I understand the Small Business Administration and Commerce have put this together; is that right?

Ms. PULLEY. Yes, sir.

Senator PRESSLER. I know it is a very nice, slick, some might say, four-color brochure, advocating President Clinton's health care proposal. I need to know some facts about this. Where is the money coming from to pay for this? How much is being paid for it by the Commerce Department and how much by the Small Business Administration?

The CHAIRMAN. Cassandra, pull that microphone up. The sound in here is very poor. You have to pull that up very close to you.

Ms. PULLEY. Senator Pressler, as you are aware, I am not on board at the Small Business Administration right now and, unfortunately, I cannot answer those questions for you. I would certainly be happy to get back to you with an answer to all of those questions for you.

Senator PRESSLER. Okay. Would you answer for the record where is the money coming from to pay for this? How much is being paid by the Commerce Department, how much by the Small Business Administration? How many copies of this are being printed? Who is it being sent to? Who is paying the postage? Is this a project of the Advocate's Office? What is the Advocate's role in health care reform? Where in the Small Business Administration's mission does it direct you to lobby for President Clinton's plan? Is it not incumbent on the Small Business Administration to provide small

business with objective information about all the significant proposals out there for health care reform?

It seems to me that there are four or five proposals with significant support. If the Small Business Administration was truly going to provide objective information, should not the Agency include a comparison of all of these plans and give people the chance to make their own decisions? And so forth.

I have some additional questions. I am not badgering you here, but it is things that this Committee, I think, needs to know and that the public needs to know. Because, as this health care thing unfolds, we are all trying to work together. We have had Mrs. Clinton here, but the publication of such an extensive bulletin that just gives one side of the story, in my view, is an abuse of Government money. That is my view of it. But maybe the information you will provide or the Small Business Administration will provide will prove me incorrect. But I look forward to your response.

Ms. PULLEY. Yes, Senator.

Senator PRESSLER. I have some additional questions for the record, but that is the only ones I wish to ask at this point.

Oh, I might just ask one more about the National Performance Review. It calls for a reduction in the number of Small Business Administration field offices. How deeply would you like to see these cuts made? And how will you proceed in determining them?

Perhaps you have already covered this before I got here?

The CHAIRMAN. No, we have not.

Senator PRESSLER. All right. Great.

How do you see the National Performance Review proposals affecting the Small Business Administration?

Ms. PULLEY. Senator, I believe that Administrator Bowles, in reviewing the National Performance Review, is looking at, again, as part of his effort to refocus, reorganize and reinvigorate the Small Business Administration, plans to reallocate the Agency's resources to the field, as opposed to the headquarters and administrative offices. So that I would expect, long term, the Small Business Administration will have more, as opposed to less, people in the field, and less, as opposed to more, people in headquarters and in administrative capacities.

Senator PRESSLER. I have some additional questions for the record. I shall submit them in that form.

Ms. PULLEY. Yes, Senator.

The CHAIRMAN. Senator Pressler, you raise the question about this brochure, which I must confess I had not seen until this morning. And the information you requested is available in printed form, which I am sure Ms. Pulley will furnish you.

I will say this. It might be a little classier document than we ought to be spending taxpayers' money to prepare, and I did not know there was such a document. But I can tell you one thing, if the Small Business Administration has had as many inquiries from the small business community as I have had in my office from the small business people of my State, you could probably save money by just simply enclosing that brochure and sending it to them. And I intend to try to lay my hands on a couple of thousand of them to help me answer my mail from small business people. Because it is an informative document.

Small business people in this country, we all know, are scared of death of health care reform. And I think that document, based on just a cursory examination of it this morning, could serve a very useful purpose in helping people answer their mail.

Senator Kempthorne.

Senator PRESSLER. Well, if I could just respond briefly.

Certainly, we want to get all the information out, but this does not include any information on some of the alternative plans that have been proposed. Small businessmen are very interested in the issue, that is true. This just gives one side of the story. And in terms of Government agencies putting out information, as supposed neutral ground, I have a lot of difficulty with them putting out a thing just giving one plan. There are several plans up here. And most small businesses tend to support some of the alternatives, or some changes.

So if it is printed at Government expense by the civil service, by the agencies, then I think it should present all sides, if it should go out at all.

The CHAIRMAN. Senator Pressler, have you ever seen that Sears Roebuck catalog the Pentagon sends out every year at taxpayers' expense? It is about that thick, promoting the military industrial complex in this country. I have tried my very best to stop that ever since I have been in the Senate, and I have never gotten to first base with it.

Now, that is not to say that I quarrel with your question this morning. I think it is a legitimate point for you to raise, and we will look at it and determine the propriety of it. But I can tell you that every agency in the Government does it, and the Pentagon spends millions not trying to inform people of this country about where we stand, it is always calculated to tell you the Russians are coming up the Potomac River to get us. And if we do not spend more money on defense, we are all going to hell in a hand basket.

As I say, it is a glossy summary, beautifully colored, and they always make the Russian missiles twice as big as ours in it.

So all I am saying is nobody is getting into virginal territory here by putting out a brochure.

Senator PRESSLER. Well, I would like to join with you in trying to stop that other publication, too.

The CHAIRMAN. Well, you join me.

Senator PRESSLER. All right.

The CHAIRMAN. We will go together on it.

Senator PRESSLER. We will do it together.

The CHAIRMAN. We will stop this one and that one. We will save millions with that one, and maybe \$100,000 with this one.

Senator Kempthorne.

Senator KEMPTHORNE. Mr. Chairman, thank you.

Ms. Pulley, I was very impressed with your insight, in the discussion that we had in my office, and your firsthand experience in the business world. And I appreciated very much, in my response to my question to you in that setting as to what you thought was the greatest problem facing small businesses today. And I think I am accurate in paraphrasing that you said it was Government overregulation.

Do you wish to just make any comment along those lines?



Ms. PULLEY. Well, Senator, I think that that is certainly one of the issues facing small businesses today. I think the other issue of equal importance is access to capital. As the Government has tightened control on the commercial banking sector, they have become much more stringent in lending requirements. And certainly, the first sector to be affected is the small business sector, which makes the role of the Small Business Administration that much more important in terms of providing access to capital for small businesses.

Senator KEMPTHORNE. And your thoughts on Government regulation?

Ms. PULLEY. Certainly, that is another problem, particularly for small businesses in trying to get access to Government programs and to Government assistance. Sometimes in trying to anticipate problems, the Government goes a bit far in establishing barriers. And that would be one of the issues at the Small Business Administration that needs to be addressed fairly quickly.

Senator KEMPTHORNE. I appreciate your comments, and I think you and Mr. Bowles are going to make an outstanding team.

Ms. PULLEY. Thank you, Senator.

Senator KEMPTHORNE. I would just encourage you to remember that you are here as that representative for small business, so go ahead and shake the place up.

Ms. PULLEY. Thank you.

Senator KEMPTHORNE. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I have one or two questions and, for the sake of expedience, I will present those for the record.

The people who are increasingly concerned about the regulation of small business—that is not just something we do politically. I can tell you that regulatory reform is the most needed thing in this country. I used to think that that was overstated. I thought it was just something that was a political issue for the Republicans to use, but it is real and it is devastating to small business.

While the Small Business Administration cannot do very much about it, Mr. Bowles, in his confirmation hearing, said that one of his major roles would be to try to streamline that Agency so that people did not have to spend a fortune just to make an application for a loan, for example, and go through all that folderol.

But, even more than that, and completely aside from the jurisdiction of the Small Business Administration, the regulatory process makes it very difficult for banks to loan money to small businesses. My brother runs Greyhound Financial, and he was telling me that they loaned \$130 million last month. He told me that the banks are not loaning money to anybody, big business or small business, because they can make better money and bigger money other ways.

But, in any event, there are a lot of bankable deals in this country that are being turned down by banks because they can make money on Treasuries and bonds and so on. But there is another reason for it. The reason they do not want to make loans is because they can go buy a Treasury bond and they do not have to fill out form one. But if they loan money to some small businessman, \$100,000 or \$200,000, the paperwork burden is unbelievable.

Even if they have an option, as you know, to make a loan to a small businessman or a big businessman, if they are going to loan

somebody \$10 million as opposed to \$100,000, it does not cost any more to administer the \$10 million loan than it does the \$100,000 loan, and probably the risk is less. That is one of the reasons the demand for 7(a) loans is just out of control. People cannot borrow.

But if we are going to keep the Small Business Administration alive and viable to perform its mission, we have got to lead in the Small Business Administration in regulatory reform. We have got to cut down the size of the forms we require small businesses to fill out in order to get a loan.

The other day—and I have told this story once before, but I will tell it again—I decided I would refinance my home. As a matter of fact, John Ball, staff director of this Committee, had refinanced his. And my son and everybody was telling me what a great deal this is. And I thought, well, I do not owe all that much on my house, but why not.

I called my bank to see what it would cost to refinance or if I could refinance. They said yes, they would give it to me for 7 percent and no points. It is down to 6 and three-quarters now.

I said well, good. Tell them I will come by in the morning and sign the papers. She said, it is not quite that easy. And I asked why not? She said, well, they said it would cost about \$1,700. Now, there goes the first 17 months of savings. I was going to save \$100 a month by refinancing; \$1,700, and do you know what for? A credit report.

That company has drawn a draft on my personal account every first day of every month for 17 years, and they have got to have a credit report. And they want an appraisal.

I paid \$115,000 for a home that is now worth maybe \$500,000. They want an appraisal. And then I have to hire a lawyer. I am a lawyer. My three children are lawyers. One of their wives is a lawyer. But I have got to go hire a lawyer who knows which forms to fill out on this. That is \$700. The whole thing came to \$1,700.

But the point is I did not get mad at the gentleman I was talking to, because I can tell you that the FDIC or somebody is requiring them to get every scrap of that. They would let me walk in and sign my name if they knew the next auditor that came by was not going to write them up for it.

I use that as an illustration, because that is just the kind of insane nonsense that is going on in financial circles in this country. And the Government has imposed every scrap of it.

Now, I do have a couple of formal questions, Ms. Pulley.

Do you agree to respond to requests to appear and testify before any duly constituted Committee of the United States Senate?

Ms. PULLEY. Yes.

The CHAIRMAN. I was going to ask you a moment ago or, I was going to submit this in writing, but I will just ask you now. Do you know what the status of the nomination of the chief counsel for Advocacy is and when we are likely to receive the nomination?

Ms. PULLEY. Mr. Chairman, I believe a name has been submitted to the President.

The CHAIRMAN. Pardon?

Ms. PULLEY. I believe a name has been submitted to the President.

The CHAIRMAN. Really?

Ms. PULLEY. Yes.

The CHAIRMAN. Well, that is encouraging. I have always felt that that is a very important office.

I believe that is all the questions I have, Ms. Pulley.

Do you have anything further?

Senator PRESSLER. I have no further questions.

The CHAIRMAN. Ms. Pulley, thank you very much for being with us this morning and bringing your beautiful family along with you. I know they are proud of you. We are all proud of you.

Thank you very much.

Senator PRESSLER. And my very best congratulations to you.

Ms. PULLEY. Thank you very much, Senators, Mr. Chairman.

The CHAIRMAN. With that, we stand adjourned.

[Whereupon, at 11:13 a.m., the hearing was adjourned.]

# ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

MINORITY BUSINESS ENTERPRISE LEGAL DEFENSE AND,  
EDUCATIONAL FUND, INC.,  
October 15, 1993.

The HONORABLE DALE BUMPERS,  
*Chairman, Senate Committee on Small Business,*  
229 Senate Dirksen Building,  
Washington, DC 20510.

DEAR SENATOR BUMPERS: I am pleased to have the opportunity to write a letter of introduction to the Senate Small Business Committee for Ms. Cassandra Pulley in relation to hearings to confirm her appointment as Deputy Administrator, U.S. Small Business Administration (SBA). I know Ms. Pulley as a champion for programs to develop small businesses in general and minority businesses in particular.

Ms. Pulley can clearly identify with and carry on SBA's mission. She will bring to the Agency a vision supported by strong academic training in matters related to both domestic and international business activity; a wide range of operational experience related to business development for majority and minority corporations; and broad experience in developing and directing government programs requiring the use of a large amount of financial and personnel resources.

Her record of achievements in academia, in government, and in the private sector distinguishes her as being highly qualified to perform the duties of the position she has been nominated to fill. I strongly recommend her confirmation.

Sincerely,

PARREN J. MITCHELL,  
*Chairman/Retired Congressman.*

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CONGRESS OF THE UNITED STATES,  
HOUSE OF REPRESENTATIVES,  
WASHINGTON, DC 20515,  
October 19, 1993.

The HONORABLE DALE BUMPERS,  
*Chairman, Committee on Small Business,*  
United States Senate,  
Washington, DC 20510.

DEAR MR. CHAIRMAN: I understand that the Committee on Small Business is considering President Clinton's nomination of Cassandra Pulley to become the Deputy Administrator of the Small Business Administration. It is with great pleasure that I endorse this nomination.

Cassandra grew up in Spring Hope, NC, a small town located in the State's Second Congressional District, which I represent. Spring Hope is also my ancestral home. Although I do not know Cassandra well, I have known her family for years. Her family are firm believers in hard work—entrepreneurship; she comes to the SBA from a rich background in small business.

Cassandra has an excellent reputation as a conscientious and innovative businesswomen who has worked hard to provide advice and assistance to developing small businesses. Throughout her career, she has worked both in the Federal Government and in the private sector to make the growth and development of small businesses a priority.

I am confident that Cassandra will be an able spokeswoman and advocate on behalf of the Nation's small business community, and I strongly endorse her confirmation as Deputy Administrator of the Small Business Administration.

Sincerely,

TIM VALENTINE.

RS AMERICAS INC.,  
ARLINGTON, VA 22209,  
October 12, 1993.

SENATOR DALE BUMPERS,  
*Chairman, Small Business Committee,*  
*229 Dirksen Senate Office Building,*  
*Washington, DC 20510.*

DEAR SENATOR BUMPERS: I am pleased to write this letter of support for the appointment of Cassandra Pulley to the position of Deputy Administrator, Small Business Administration.

I have known Ms. Pulley since 1981 when she joined the Overseas Private Investment Corporation where I served as President and Chief Executive Officer. I was fortunate to have Cassandra as part of our management team where she served in a number of key positions in that agency over the next 7 years. She gained considerable valuable experience in almost all phases of our operations at OPIC, principally in the Insurance Division and then in the emerging Finance Division. She ultimately became a managing director, Finance Operations, with particular emphasis in the area of small business development.

We took great pride at OPIC in running that agency in a business-like way, and the key to accomplishing that goal was to have people in our organization who approached their tasks in a professional, entrepreneurial and non-bureaucratic manner. In my opinion, Cassandra Pulley embodied those attributes, and, as a result, she served the agency admirably. It is also my personal opinion that other government agencies (and, perhaps, particularly the SBA) might similarly benefit from business managers with the very qualities Ms. Pulley possesses. I can assure you that Cassandra Pulley will be a great asset to the Small Business Administration.

Sincerely yours,

CRAIG A. NALEN,  
*Chairman.*

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MAXIMA,  
LANHAM, MD 20706,  
October 14, 1993.

THE HONORABLE DALE BUMPERS,  
*Chairman, Senate Committee on Small Business,*  
*229 Senate Dirksen Building,*  
*Washington, DC 20510.*

DEAR SENATOR BUMPERS. I am pleased to provide this letter of recommendation for Cassandra M. Pulley, a candidate for the position of Deputy Administrator of the U.S. Small Business Administration.

I have known Ms. Pulley for a number of years. I met her several years ago when I was seeking innovative ways to create business opportunities for my company through potential sale/lease-back operations. I was extremely impressed with the way in which Ms. Pulley interacted with the business and financial community, she clearly understood the intricate components necessary for this type of venture.

As you may know, I have recently completed a term as chair of the U.S. Commission on Minority Business. While this was a Presidential appointment, the Commission however, was created by Congress with the specific intent to study ways to improve the quality and quantity of minority business in the United States. The 3-year effort of this Commission resulted in my traveling across the United States speaking to tens of thousands of individuals and holding hearings and town meetings, listening and trying to understand the problems effecting the socially and economically disadvantaged businesses of this country. More importantly, I was charged with the responsibility to make recommendations as to how such businesses can become intricate components of this Nation's economic revolution. After going through such an extensive multi-year process, I am totally convinced, as supported by the Commission's recommendations, that one of the short falls within the U.S. Small Business Administration is clearly the lack of competent individuals trained in the area of business development and individuals who clearly understand how a business must operate. I have no reservations at all with the appointment of Ms. Pulley. She brings to the Administration all those credentials that I feel are essential to move the minority business community, the small business community and the U.S. Small

Business Administration out of the cloud that has surrounded all of these entities for so many years.

It is for the above reasons that I once again offer my full support and full endorsement to an able candidate, Cassandra Pulley.

Sincerely,

JOSHUA I. SMITH.

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U.S. SMALL BUSINESS ADMINISTRATION,  
WASHINGTON, DC 20416

HONORABLE DALE BUMPERS,  
*Chairman, Committee on Small Business,*  
*United States Senate,*  
*Washington, DC 20510.*

DEAR MR. CHAIRMAN: The enclosed are responses from Cassandra Pulley to the written questions submitted to her by you and other members of the Senate Small Business Committee in conjunction with the October 19 hearing on her nomination as Deputy Administrator of the U.S. Small Business Administration.

We are happy to provide the enclosed responses to you.

I hope the enclosed information is of assistance to you. Please do not hesitate to call upon me or Ms. Pulley if we can be of service to you or the Small Business Committee.

Sincerely,

KRIS SWEDIN,  
*Assistant Administrator for Congressional and Legislative Affairs.*

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FOLLOW-UP QUESTIONS FROM SENATE SMALL BUSINESS COMMITTEE CONFIRMATION  
HEARING

SENATOR BUMPERS

*Question 1.* What will your role be as the Small Business Administration's Deputy Administrator?

Answer. As the Deputy Administrator, I will serve as the agency's chief operating officer to implement the goals that President Clinton and Administrator Bowles have set for the Administration. These goals include building a team at SBA with pride in their work, reorganizing and restructuring SBA to provide efficient service delivery, eliminating duplication and confusion for customers, and making SBA more "user friendly."

With these goals as guiding principles, I will direct the day-to-day operations of the agency and I will work diligently to assist the Administrator in rationalizing and prioritizing the resources of SBA. I will work to build a results-oriented management team and seek creative ways to enhance the skills of SBA staff. I will seek to maximize the use of technology available to improve the management information system and facilitate application and review processes.

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SENATOR PRESSLER

*Health Care, the SBA Brochure and "\$80" Line*

*Question 1.* Floating around Capitol Hill recently have been copies of The Health Security Act: Benefits for Business. I have a copy right here. Its a very nice—slick, some might say—four-color brochure advocating President Clinton's health care proposal.

*A. Where is the money coming from to pay for this? How much is being paid for by the Commerce Department? How much by SBA?*

Answer. The Office of Business Initiatives, Education, and Training, which is responsible for all SBA publications, will pay for SBA's portion of the production costs for this brochure.

The Commerce Department has agreed to pay for the cost of 25,000 (one-sixth) of the brochures from the initial printing. The exact amount will be determined when SBA is billed by the Government Printing Office.

We estimate the cost to SBA to be approximately \$60,894.

*B. How many copies of (the brochure) are being printed?*

Answer. 200,000 copies have been printed.

*C. Who is (the brochure) being sent to? Who is paying the postage?*

Answer. The SBA is no longer distributing the brochures. The Agency has absorbed the cost of any individual mailings by our field offices to small business owners. Of course, copies that were distributed at SBA field offices, conferences, or other events incurred no postage costs.

*D. Is this a project of the Advocate's Office? What is the Advocate's role in health care reform?*

Answer. The brochure, "The Health Security Act: Benefits for Business," is not a project of the Advocate's Office although that office has been and will continue to be involved in the effort to educate small business owners about health care reform.

The Office of Advocacy has been an effective and independent voice for small business, and will continue to fulfill that mission in the future. The Office of Advocacy, headed by a Chief Counsel, has a unique role in government—no other agency contains within its structure an independent voice for a constituent group. Its mandate to represent the small business community throughout the government gives it a responsibility to take positions that are reflective of the small business community as a whole. Not only the President, but also business people nationwide have recognized that health care reform is one of the country's top priorities. I think you would agree, however, that on the issue of health care reform, there is no consensus among small business owners on the best approach.

Because of the considerable stake that our Nation's small businesses have in the resolution of the current health care crisis, the Office of Advocacy has been very involved in SBA's efforts to educate policy makers and small businesses about health care cost and coverage. It has called my attention to two studies that will be of particular interest to you. The first, recently received in draft from the University of Kentucky by the Office of Advocacy, "Measuring the Uninsured by Firm Size and Employment Status," uses 1992 Census Data to contrast the level of insurance offered by firms of differing sizes with percentages of employees in those firms that are covered by health insurance from some source.

The second study, to be conducted by Lewin-VHI, will examine differences in cost and coverage of benefits offered to employees by firms of differing sizes. The questionnaire for this study is about to be field tested and, if the field test is successful, will be sent to approximately 6,000 firms to gather nationally representative data by firm size and demographic characteristics (such as employee age, marital status, gender as well as employer data by industry and geographic region).

This information is vital if the Chief Counsel is to play what I anticipate to be a very active role in representing the small business point of view in health care reform as it moves through the Congress.

*E. Where in SBA's mission does it direct you to lobby for President Clinton's plan?*

Answer. The Small Business Act expresses a declared policy of the Congress that the SBA aid, counsel, assist and protect the interests of small business concerns. It authorizes the SBA to make studies of matters materially affecting the competitive strength of small business; and to disseminate data and information, in such form as it shall deem appropriate, to public agencies, private organizations, and the general public. We believe that the Small Business Act clearly authorizes the SBA to publish a brochure explaining the President's health care initiative.

In reaching this conclusion, we have been very careful not to engage in impermissible lobbying or propagandizing. None of our efforts have been directed at influencing any member of Congress to favor or approve the President's plan. We set out to explain the plan, and the benefits which the President believes would follow if the plan were adopted. We specifically did not ask anyone to contact their elected representatives to urge them to vote one way or another on the proposed legislation. I am convinced that our actions have been entirely proper and appropriate.

*F. Isn't it incumbent on SBA to provide small businesses with objective information about all the significant proposals out there for health care reform? It seems to me there are 4 or 5 proposals with significant support. If the SBA was truly going to provide objective information, shouldn't the agency include a comparison of all these plans and give people the chance to make their own decisions?*

Answer. We feel that the President's Health Security Act is the most comprehensive and complete health care reform option that has been drafted to date, and that it will be the plan by which all others will be judged. We recognize, however, that as the health reform debate develops and other plans mature, the SBA will need to educate small business owners about the attributes of other plans as well.

*G. Were any of these expenditures authorized by Congress?* With annual consistent shortfalls in funding for SBA loan programs, it seems ironic there is money to pay for a new initiative such as this. Businesses desperately seeking capital to create new jobs have been turned away or put on hold for months and the SBA is spending money on health care brochures. When the next shortfall occurs, some member of Congress may remind you of the money that was spent on this program.

Answer. As with all of the publication expenses incurred by SBA, these expenditures were authorized by Congress through its appropriations for the SBA. They will not reduce any of our loan authority or capability.

Rising health care costs have been an ongoing problem, and owners of small businesses have a very big stake in the resolution of the health care crisis. The rising cost of health care in this country is primary among the issues that small business owners want the government to address. Today small companies pay 35 percent more for health insurance than large companies, and their premiums increase 50 percent faster.

I believe that SBA's efforts to educate small business owners about the health care crisis and potential solutions to that crisis have been proper and reasonable.

*Question 2.* I also am curious about the computer program the SBA developed to determine the "expected cost of insurance and the value of government subsidies proposed by the Administration." I understand that House Ranking Member Jan Meyers has written you about this.

*A. Was this program and its expenditures authorized by Congress?*

Answer. As I mentioned earlier, the Small Business Act authorizes the SBA to aid, counsel, assist and protect, insofar as possible, the interests of small business concerns. It authorizes SBA to disseminate data and information in such form as it shall deem appropriate, to public agencies, private organizations, and the general public; and to make studies of matters materially affecting the competitive strength of small business, and of the effect on small business of Federal laws, programs, and regulations, and to make recommendations to any appropriate Federal agency or agencies for the adjustment of such programs and regulations to the needs of small business. We believe that this authority authorizes SBA to carry on the program in question. SBA's salaries and expense appropriations are available to fund such an authorized program.

*B. If the Clinton health plan, upon which your program is based, is still being fine-tuned, and no accurate figures are available, how can your agency devise such a computer program, claim validity and invite the Wall Street Journal to write about the program?*

Answer. To determine the potential impact of the Health Security Act on small businesses, SBA developed a computer software program that would allow the input of data on an individual small business—its number of employees, payroll costs, average annual salary, and annual insurance cost—and then calculate its estimated projected health care cost under the Health Security Act as then contemplated. The initial version of this program was tested during a briefing for fifty small business people and the briefing was reported in the Wall Street Journal.

The estimated health insurance cost to the small businesses was determined using relevant numbers in the Health Security Act, as then envisioned. A maximum of 17 pieces of information were required to make our calculation (all 17 are not required in all cases). These 17 pieces of information can be subdivided into three groups: employer information, employee information, and insurance policy information. Structuring these groups of information to compare what a firm currently pays for health care to what it will pay under the Health Security Act is all the program was designed to accomplish. In setting up this program, we were fully aware that it might need to be updated from time to time to the extent that the proposed Health Security Act was modified.

In creating the computer program, we also gave consideration to the establishment of an 800 line so that small business owners could call in and have their health care costs estimated under the Health Security Act. In the end, we determined that we lacked the financial resources and the personnel to implement the 800 line and to make health care calculations on a widespread basis.

*C. Is it the SBA's intention to devise a program explaining all significant health care proposals, or are you just concentrating on one plan?*

Answer. We explored the potential of explaining alternative health care plans to the small businesses over the 800 line. As long as other health plans to be considered contained sufficient detail to determine employer costs and the three groups of information noted above remained the same, our computer program could have accommodated modifications as appropriate and compared the costs of other proposals.



Again, it appears that we do not have the resources to put this plan into action on behalf of small business owners.

D. Ira Magaziner talks about the hundreds of thousands of jobs that will be created by the President's plan. Laura Tyson, Chair of the President's Council of Economic Advisors, says she can't predict job changes either way. *Is the SBA doing anything to forecast job loss figures on the President's proposal or for any of the other plans?*

Answer. SBA is not aware of a reliable methodology to compute job loss. Current economic models don't provide enough precision to determine whether those businesses not currently offering health benefits will respond to the health care plan by modifying wages or by modifying employment levels. But we believe that allegations by critics of job losses in the millions are the product of flawed economic reasoning.

It should be kept in mind that for many businesses, the health care plan will be a net plus. Most small businesses already offer health care benefits to their employees, and they are paying about 35 percent more on average for that coverage than large firms. The President's plan will level the playing field, and because of cost controls, will reduce increases in businesses' health care costs over time. In sum, there will be factors coming into play which may result in job creation as well as job loss, but the net effect either way will be small.

*Question 3. The Clinton Administration has organized its health reform package around employer mandates, in other words, new payroll taxes. As an entrepreneur yourself, do you feel employer mandates are a fair and effective means of providing health care?*

Answer. I believe that the employer mandates are the only fair and effective way that has been proposed so far to provide universal health care coverage that is based on our current, employer-based system. The United States has the best health care in the world and I think we would be making a mistake to scrap what we have already built. The President's plan addresses small business concerns—cost of coverage, portability, simplification—while meeting the overriding goal of providing comprehensive health insurance that can never be taken away.

*Question 4. I am especially concerned over the increased cost of labor due to employer mandates which could result in job loss. Some studies have estimated that as many as 3.1 million jobs are at risk. This possibility is especially a danger in lower-wage industries operating on low margins of profit. Can small businesses, which have been our nation's only real source of job growth over the last several years, sustain the burden of employer mandates?*

Answer. I am not aware of any responsible studies predicting substantial job losses if the Health Security Act is passed into law. Indeed, the SBA is not aware of any reliable computation of the effect of the Health Security Act on jobs. What I am certain of, however, is that universal health care coverage like that envisioned in the proposed Act would be a huge plus for small business owners.

*Question 5. Aren't there steps we can take today to make health insurance more affordable and accessible without creating huge new bureaucracies?*

Answer. While there are many provisions contained in the President's health care package that, separately, would reduce health care costs and save taxpayer money, I agree with the President that universal coverage should be a necessary part of any health care reform effort. The Health Security Act will provide health security to all Americans without creating huge bureaucracies. It will preserve what is right with the current system and fix what is wrong.

*Question 6. Small businesses are struggling under the weight of another government mandated program: workers' compensation, for which the costs have doubled in the last 2 years. One option for relief is the complete integration of the health care and workers' compensation systems. Under the Clinton plan, workers' compensation insurers would continue to be responsible for the cost of treatment for injured workers. What arrangement of the two systems do you feel would be the most beneficial to small business?*

Answer. Nearly every small business is affected by the workers' compensation system. The Health Security Act will put the brakes on the escalating costs of workers' compensation. The Act will coordinate the medical component of workers' compensation with the general health care system. The plan will result in lower workers' compensation medical costs achieved through the introduction of managed care.

Recent research supports this conclusion. Preliminary results from a report commissioned by the Florida Department of Insurance shows that the introduction of managed care produced a 38.5 percent reduction in workers' compensation claim costs. Another study released earlier this year by two Princeton University re-

searchers showed that the elimination of "price discrimination"—defined as health care providers charging workers' compensation insurers more than other payers for services—could reduce workers' compensation medical costs by one-half.

*Question 7. What role do you, as Deputy Administrator, plan to play in the health care debate?*

Answer. As Deputy Administrator, I will continue, when necessary, to carry on the effort SBA Administrator Bowles has begun to educate and inform small businesses about the various proposals that have been introduced to reform the health care system.

#### *Reinventing Government*

*Question 1. Vice President Gore has proposed several changes to the SBA as part of the Administration's efforts to reinvent government. Although I agree that our Federal Government is in need of real reinvention, I am concerned with some of the recommendations. For instance, the National Performance Review recommends implementing user fees for Small Business Development Centers (SBDCs) to raise revenue. Fledgling enterprises depend on SBDCs for help in formulating business plans, securing financing and starting operations. User fees could deter beginning entrepreneurs who need help. How do you feel implementing user fees will affect SBDCs?*

Answer. I believe that user fees for government services are appropriate in some situations, and it is certainly proper for Congress and the Administration to consider whether charging a nominal fee to SBDC users is in the public interest. Even fledgling enterprises might be able to pay small user fees, and such fees might even cause them to value the SBDC services more highly. I am aware, of course, that this proposal has been considered in the past and that Congress has on numerous occasions decided that user fees for SBDC services should not be imposed. In addition, as you know, SBA's fiscal year 1994 appropriations act prohibits the agency from imposing such user fees.

*Question 2. The National Performance Review also calls for a reduction in the number of SBA field offices.*

*A. How deeply would you like to see cuts made?*

*B. How will you proceed in determining which offices should be consolidated?*

Answer. The Report of the National Performance Review Task Force proposes shifting staff from the Central and Regional Offices to our District Offices, where services to our small business customers are actually delivered. Thus, any reduction in field offices would apply only to Regional Offices. The SBA has no plans to close District Offices.

With regard to the closings of any Regional Offices, I cannot give you a percentage reduction figure yet because we have not determined such a figure. At this time SBA is undertaking a thorough, top-to-bottom management review with an eye towards streamlined operations, better targeting of our customers' needs, reduction or elimination of under-utilized, wasteful or unneeded resources, and shifting of resources to meet the needs of small businesses.

*Question 3. The Vice President's report calls for the reinvention of the SBA credit programs, targeting especially those industries with possibilities for high job growth, international trade and critical technology development.*

*A. What will you do to carry out this recommendation?*

*B. Will this make less money available in other areas?*

Answer. As part of the management review noted above, we are looking at possible ways to target more of SBA's resources towards high value-added and labor intensive industries. Let me note however, that small businesses, in general, are greater job-creators than their large counterparts, and that their important role in the high technology sector is well established. Small businesses are turning more to exporting, and SBA is already adjusting its trade finance and promotion programs to better support these businesses. We also are in the process of revamping our SBIC program in ways which we feel will be very beneficial to critical technology companies. Additionally, we are working within the framework of the President's high technology initiative to provide additional services such as our joint efforts with the National Institutes of Standards and Technology (NIST), which will lead to the establishment of Small Business Development Center subcenters at Manufacturing Technology Centers, which are sponsored by NIST.

*Question 4. What steps will you personally take to streamline the SBA and increase its effectiveness?*

Answer. I come to this agency sharing the commitments made by Administrator Bowles to President Clinton to increase the efficiency and effectiveness of the SBA.

My role as chief operating officer of the agency will require me to implement the changes necessary to meet those goals on a day-to-day basis. We intend to make SBA more "user friendly" by simplifying access to our services, making that service faster and more responsive, and eliminating duplication and wasted effort.

#### *7(a) Loans*

*Question 1.* The 7(a) loan program is a government program with proven success. The need for these loans continues to rise and the loans have an exceptionally low default rate. For the last several years demand has been so high that the program has run out of funds before the end of the fiscal year. Despite the program's need and success rate, the Administration's budget request for FY 1994 was 17 percent less than in FY 1993.

*A. Do you feel decreasing the budget request is wise?*

*B. Would you advise continuing to decrease budget requests for the 7(a) program in the future?*

Answer. While the Administration's request for 7(a) credit subsidy appropriations was less than FY 1992, the request was accompanied by proposed program changes to reduce the subsidy rate and actually increase loan-making authority. This is exactly what happened with passage of P.L. 103-81, which made program changes similar to those proposed by the Administration, and which will allow SBA to take our anticipated appropriation of \$150 million and make \$7 billion in 7(a) loans. Additionally, the subsidy rate change provided SBA with a carryover of \$1.8 billion in loan authority from FY 1993, for a total program availability in FY 1994 of \$8.8 billion.

These changes are very significant in that they go a long way toward meeting President Clinton's goal of ending the credit crunch for small businesses while reducing the cost of government. Future SBA budget requests will depend on anticipated credit demand.

*Question 2.* I understand the SBA recently removed one of its biggest lenders, Mechanics National Bank, from its Preferred and Certified Lender Programs due to an overabundance of fraudulent loan packages—resulting in a high failure rate on their loans. Though the bank was labeled as having "unsafe and unsound" banking practices (by the comptroller of the currency) in October of 1991, it was not until December of 1992 that the SBA imposed any sanctions. Delays in action such as this could cost taxpayers millions of dollars.

*A. Can you explain the fifteen-month delay in action by the SBA?*

Answer. There was no undue delay in action by the SBA, which acted independently from the Comptroller of the Currency. It is not the policy or practice of the Comptroller of the Currency to advise SBA of findings of unsafe and unsound practices by banks. Accordingly, our action was taken for reasons related solely to Mechanics National Bank's participation in SBA loan programs, and was taken as soon as SBA personnel made the judgment that problem loan packages had reached an unacceptable level.

In late 1991, some SBA loan officers in southern California started to recognize a high level of profits (when compared with industry averages) showing up on IRS returns that were submitted to SBA by applicants in support of loan requests. This led the offices in California to begin checking with IRS on those returns submitted to SBA. As differences were found between the official IRS returns and the ones submitted to SBA, these cases were turned over to our Office of Inspector General. Subsequent management actions have been taken to check tax returns on a more widespread basis and to deal swiftly with fraudulent submissions whenever they are found.

We believe that our employees took adequate steps when they detected the problem. At the same time, we continue to re-examine our operations to see if further improvements can be made.

*B. How can we be assured that the SBA will not allow a problem of this proportion to "slip through the cracks" again?*

Answer. It is not accurate to say that this problem "slipped through the cracks." To ensure that the problem is corrected and does not reoccur, SBA is taking the specific actions outlined below.

To date, we have removed two lenders from our Preferred Lender (PLP) and Certified Lender (CLP) programs and have referred approximately 30 cases to our Inspector General for investigation. Additionally, we now are checking all loan applications with tax returns obtained from the IRS in the area of California where our employees discovered this problem. We also are instituting a random sampling survey around the country to determine if we have a problem anywhere else.

*Question 3.* Obviously, one problem area is the increasing role that "loan packagers" are playing. In an attempt to streamline their own lending processes, more and more banks are looking into using these types of consultants. *How, in an efficient and timely manner, does the SBA expect to monitor the portfolios put together by the loan packagers?*

Answer. Loan packagers of one form or another are involved in approximately three-quarters of SBA loan applications. The loan package (in part or in whole) may be put together by an accountant, a lawyer or an individual having experience in financial presentations. They are needed because most small businesses would rather pay someone to do this type of work rather than take time out from operating their business. Also, many small business owners believe they do not have the background to prepare financial statements, business cashflows, projections, and other required submissions. SBA is working to simplify its loan applications, which we believe will reduce the need for packagers. Currently, we are testing a one page (two-sided) loan guarantee application in two pilot projects.

In addition, we have a number of initiatives underway which will enable the agency to better oversee loan packaging and approval. SBA has contracted with William Adler & Co., working with Arthur Anderson & Co., to evaluate our entire loan portfolio so that we will know the degree of risk inherent in that portfolio. Additionally, we are moving forward with plans for centralizing the activity of the Preferred Lenders Program (PLP) in order to improve the oversight of our PLP lenders. We are developing a system that will take a random sample of applications submitted and check the returns with IRS.

Finally, we have developed a system to track loans by loan packager. This will allow us to monitor the performance of loans presented by individual loan packagers in relation to other loan packagers operating in the same geographic and risk area. You can be sure that we will aggressively pursue these and other initiatives that may be necessary to combat fraud in our loan programs.

#### *Paperwork Reduction*

*Question 1.* Earlier this year, I succeeded in eliminating an expansion of SINC (Service Industry Non-Compliance) provisions from the budget package. The expanded use of IRS Form 1099 would have added to the paperwork blizzard small businesses already face and it would have added another unnecessary expense. Now the IRS is trying to implement this wasteful accounting practice through administrative means. *Will you pledge to combat this?*

Answer. Let me assure you that the SBA will fight expanding the Service Industry Non-Compliance (SINC) approach, as well as any other such burdensome requirement, at the Internal Revenue Service.

As you know, one of the four goals that the President and Administrator Bowles have for the SBA is to reduce unnecessary government regulation and paperwork. The SINC requirements, if they are anything like the legislative proposal, would be overly burdensome and the small business cost of compliance is disproportionately large.

*Question 2.* I am a cosponsor of the "Paperwork Reduction Act of 1993," which is designed to strengthen the original "Paperwork Reduction Act," reduce federal paperwork requirements by 5 percent per year, and give the Office of Management and Budget (OMB) additional enforcement authority. A number of the members of this committee are cosponsors of this legislation. Administrator Bowles also has expressed his support for this bill. *What are your plans to help support this important piece of legislation?*

Answer. As Deputy Administrator I will work with Administrator Bowles in support of the Paperwork Reduction Act of 1993. The Paperwork Reduction Act is an important safeguard for small business in the regulatory process.

*Question 3.* The President has directed the SBA to make paperwork reduction a priority.

*A. What will you do to direct the SBA to reduce its paperwork requirements on small businesses?*

*B. Do you have a targeted amount for this reduction?*

*C. What has been done so far?*

Answer. SBA requires certain application information to ensure prudent lending practices and to determine that loans will not be used for prohibited purposes. SBA is also mandated by Congress to require paperwork such as environmental statements that are not required by private lenders. Nonetheless, we are reviewing all of SBA's delivery systems and examining ways that our loan application can be simplified.

SBA has a pilot program underway with two banks in which our loan guarantee application is reduced to one two-sided form. We also have a pilot program underway entitled the Electronic Loan Application Process (ELAP) to allow small business concerns to file loan applications electronically. This pilot is being tested at several SBA district offices around the country. Finally, SBA is moving forward on a simplification of our disaster loan application.

#### *Credit Crunch*

*Question 1.* Following the savings and loans debacle of the 1980s, small businesses have experienced a dearth of available capital. The credit crunch has been cited by business owners as their number one difficulty and the President has pledged to work for a resolution to the problem. *What will you do from within the SBA to help solve the credit crunch?*

Answer. The SBA has mobilized its resources to respond to the growing need for credit in the small business community. I think that you need only to look at the huge increase in demand for the 7(a) program to know that this is true. SBA loan guarantee volume reached \$5.62 billion in FY 1992, a 37 percent increase over the previous year. In FY 1993, loan volume increased another 14 percent, to \$6.41 billion.

Working with the Congress, SBA has made great strides this year in achieving the ability to fully respond to the credit needs of small businesses. The \$175 million in additional credit subsidy which the Small Business Committee was so instrumental in obtaining allowed SBA to support \$3.2 billion in additional 7(a) lending in FY 1993. The credit reforms enacted as part of Senator Bumpers' bill, S. 1274, stretched those subsidy dollars much farther, giving SBA a total credit authority of \$7.8 billion in fiscal year 1993.

Another important attack on the credit crunch is the Clinton Administration's announcement in April to ease bank lending requirements so that healthy banks can make loans to small businesses. A major improvement will be the ability of healthy banks to once again make "character loans" to small businesses. These changes could provide as much as \$38 billion in loan capital for small business growth, investment, and job creation.

#### *Technology Development*

*Question 1.* A bill before this Congress, S. 4, proposes the creation of Critical Technology Investment Companies (CTICs) at the Department of Commerce as part of an effort to increase support for industry-led technology development. I feel the creation of CTICs at the Commerce Department would create a duplicate bureaucracy and would aid large companies at the expense of small ones. I have proposed an amendment to S. 4 to move the CTICs program to the SBA.

*A. What is your position on S. 4?*

Answer. While SBA is generally very supportive of the National Competitiveness Act of 1993 (H.R. 820 and S. 4), we are concerned about initial provisions in each bill that would establish a program at the Department of Commerce for investments in high technology companies, because it would duplicate SBA's Small Business Investment Company (SBIC) program. We are working with Commerce Secretary Ron Brown, Chairman Bumpers and Senate Commerce Committee Chairman Hollings to develop alternative language which will forge a partnership between the Commerce Department and SBA to provide financing for high-tech firms. We want to achieve the President's goals of enhancing the technological capabilities of American businesses and creating new, high-wage jobs in the most efficient, effective and economical manner.

*B. Do you think the SBA, and specifically the SBIC program, would be able to handle more high-tech ventures?*

Answer. During the last 5 years, an average of \$100 million a year has been provided by SBICs to technology firms, representing 20 percent of SBIC-generated investment. Recent legislative changes which are now being implemented through the regulatory process will cause significantly more private capital to flow into the SBIC program and that will mean more funds flowing into technology firms. We are aware of a number of new SBICs being formed that will focus on assisting technology firms. Our revamped SBIC program, utilizing the new participating security, will allow us to support more high-tech ventures, and we certainly expect to do just that.

*C. What do you think the Federal Government's role as a venture capitalist should be?*

Answer. Over 35 years ago, the SBIC program was created after a Federal Reserve study concluded that "pioneering firms" did not have adequate access to patient capital. High technology companies certainly qualify as pioneering firms, and

given the critical role they play in industrial competitiveness, job creation and a rising standard of living, it is certainly appropriate for the Federal Government to help ensure that adequate risk capital is available for these firms.

### *Trade/Exporting*

*Question 1. Your background shows significant expertise in multinational business affairs. What can the SBA do to encourage exporting among small businesses?*

Answer. The Clinton Administration has recently released the Trade Promotion Coordinating Committee (TPCC) report, and SBA plays an important role in the administration's export promotion and finance program. After examining SBA's export finance programs, I am disappointed in the low volume of loans that have been generated in the past. Within the context of the TPCC program, we will undertake some dramatic steps that will help provide a meaningful solution to the long-standing export financing problems of small business. In cooperation with our partner, the Export-Import Bank of the United States (Eximbank), we fully expect to begin generating greater volumes by combining the strengths of the two agencies—Eximbank's expertise in export finance and SBA's small business expertise and presence throughout the country.

SBA and Eximbank are working on a plan to harmonize our respective agencies' export working capital programs to make them more attractive to both exporters and lenders. We intend to do this by eliminating duplicative and confusing applications and documentation, and by harmonizing our underwriting standards, policies and other program features. SBA will have sole responsibility for financing small businesses whose needs fall within SBA's individual borrower lending limits, currently \$750,000 and below. This is a major SBA initiative and we will ensure that the field support and training necessary to make this initiative successful is provided.

In addition to our export finance responsibilities, SBA will play an important role in export promotion. In support of the TPCC goal to increase the number of U.S. exporters, SBA will participate in the "one-stop shop" and will continue to help small businesses evolve from export-willing to export-ready. By providing education, outreach and technical assistance to small businesses, we expect to help them grow to the point where they can take advantage of the programs offered by the Department of Commerce, Eximbank and others.

*Question 2. What is your vision for the long-term export/international role of the SBA?*

Answer. SBA must refocus its efforts on those areas that enable us to accomplish our mission of aiding, counseling, assisting and protecting small business. Clearly, helping small business take advantage of opportunities in international markets falls within that mission. Given the SBA's historical strengths including a thorough understanding of small business finance and a physical presence throughout the country—I believe we are in a unique position to provide a much higher level of trade finance services to small business in an efficient and effective manner. Attaining the additional expertise to provide trade finance assistance is relatively simple if the fundamentals of small business financing are already in place. Part of this process will require working with private forms already providing export financing.

*Question 3. I am interested in the use of Export Trading Companies (ETCs) and the role they might play in the successful administration of the export finance program. Given that ETCs have the expertise to determine whether a particular transaction will be successful and/or participate, would you support a program which utilizes the expertise of ETCs?*

Answer. ETCs are excellent alternatives for small American companies that do not have sufficient time, personnel or capital resources to undertake an independent export effort. Often, a small business entity goes on to establish its own direct export operation after it has used an intermediary to gain experience. ETCs that obtain SBA-guaranteed loans can use the loan proceeds for export working capital, including buying goods from U.S. suppliers for resale overseas. Given the important role that ETCs play in facilitating small business exports, we would support initiatives that would take advantage of ETCs and other intermediaries' expertise.

### *Women's Business Development*

*Question 1. As the Deputy Administrator you naturally will be in a high profile position. What will you do to advance women's business development?*

Answer. SBA has already done a great deal in this area by stressing our desire to make loans to women owned businesses. We will continue to work with women's business organizations to measure their utilization of SBA programs. Our addition of qualified women to our loan officer staff will assist in our efforts to advance the

development of women-owned businesses in proving women's capability and credibility among lenders and the public.

*Question 2.* Studies indicate that women-owned businesses fail at a rate of 7 to 11 percent higher than businesses owned by men. *What can the SBA do to help correct this unequal distribution?*

Answer. Information available to us indicates a dissolution rate of 53 percent for women-owned businesses and 48.5 percent for men-owned businesses between 1982 and 1987. It should be noted that the dissolution rate simply means the business ceased operations, it does not necessarily mean that the business failed or that the owner lost money on the business.

We do not have firm conclusions on why the dissolution rate differs. It may be that the average woman owned firm has a lower capitalization than the average male owned firm and thus is not able to survive a downturn in business as easily. There is speculation that women owned firms are more likely to be testing a new product or entering a new market. Such firms have a higher risk of failure.

The dissolution rate also may reflect certain life choices that are made. Some women may open a home based business during the time when young children are in the home. These same women may dissolve their home based business and accept employment outside the home when the children are older.

#### *White House Conference on Small Business*

*Question 1.* The White House conference on Small Business is scheduled to take place in 1995. The law authorizing the conference clearly states that no more than six of the eleven commissioners may be of the same political party. Although I have seen a list of the President's appointments, I remain unclear as to their political affiliation. *Can you tell me if the statutory requirements have been met?*

Answer. Yes, the statutory requirements have been met. Please find enclosed a list, marked Appendix C, of the White House conference on Small Business Commissioners, which includes a notation of their party affiliations.

#### *The SBA*

*Question 1.* As Deputy Administrator, you surely will play a role in filling other vacant positions. Ten months have passed since the Administration changed hands.

*A. How many positions remain to be filled?*

Answer. Currently, twenty-five (24) positions remain to be filled at the SBA. These positions include ten Regional Administrators, nine Regional Advocates, and six central Office positions which include: the chief counsel of Advocacy, Investment and Procurement, the Director of International Trade, the Assistant Administrator for Public communications, the Director of the Executive Secretariat, and the Deputy Associate Deputy for Management and Administration. The Regional Advocate positions will be filled upon the confirmation of a chief counsel.

*B. Do you have a target date for the completion of SBA appointments?*

Answer. It is my hope that they will be completed in the next several weeks.

*C. When will the chief counsel for Advocacy be appointed?*

Answer. I expect an announcement by President Clinton in the coming weeks of his choice for appointment to the position of chief counsel for Advocacy. Hopefully the background check and confirmation process can move quickly. The Senate has been especially helpful in this regard. I appreciate it and I know Administrator Bowles does as well.

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#### SENATOR KOHL

*Question 1.* Ms. Pulley, one of the problems we have in this whole health care reform debate is a lack of good data. For example, the administration claims that about 62 percent of small businesses provide health insurance for their employees. *Does the SBA have good numbers on how much these businesses actually contribute to their employees coverage? How can the Small Business Administration help to gather reliable information on small businesses and health insurance?*

Answer. Because of the considerable stake that our Nation's small businesses have in the resolution of the current health care crisis, SBA's Office of Advocacy has contracted for two studies on the issue of employer health insurance contributions. The first, recently received in draft from the University of Kentucky by the Office of Advocacy, "Measuring the Uninsured by Firm Size and Employment Status," uses 1992 Census Data to contrast the level of insurance offered by firms of

differing sizes with percentages of employees in those firms that are covered by health insurance from some source.

The second study, to be conducted by Lewin-VHI, will examine differences in cost and coverage of benefits offered to employees by firms of differing sizes. The questionnaire for this study is about to be field tested and, if the field test is successful, will be sent to approximately 6,000 firms to gather nationally representative data by firm size and demographic characteristics (such as employee age, marital status, gender as well as employer data by industry and geographic region).

*Question 2.* At his confirmation hearing, Administrator Bowles told us that he wanted to decentralize the SBA and move more staff out into field offices. *How is this reorganizing progressing? When do you think each of us can expect to see some results in our home States?*

Answer. The program is going well. So far, eighty-five (85) employees from SBA's central and regional offices have agreed to take positions in district offices. Most of those transfers have already taken place and all will be completed by the end of this calendar year. However, we are looking for ways to accomplish a greater number of transfers, since it is critical that we have sufficient personnel at the district office level to provide efficient, professional and timely services to our small business customers.

*Question 3.* In the late seventies, you spent some time with an important and influential bank. *What is your perception of how lending practices have changed since then? Do you feel banks have become more or less willing to lend to women and minorities looking for capital to start their own businesses?*

Answer. The so called "credit crunch" is the most significant change in the banking industry as it relates to small business. The credit crunch is not caused by a shortage of lendable funds. Banks have plenty of money to lend, they are just afraid to lend it. As regulatory agencies put increasing pressure on the banks in the late 1980s and early 1990s, non-discretionary borrowers, those that needed working capital or line of credit loans just to keep their doors open, and those who regularly borrowed from banks, found themselves shut off by the banks. The banks felt they had no choice since classification of those loans would have very serious consequences in terms of reserve requirements.

President Clinton has taken a giant step forward by removing unnecessary and costly restrictions on banks that prevented them from making character loans. In addition, lenders have increasingly approached SBA seeking the SBA guaranty to protect themselves from stringent, or excessive regulatory action.

While women's and minorities' access to debt capital has improved over the past 10 years, these businesses are most impacted by regulatory changes and changes in the economy. In addition, these companies are more likely to need smaller amounts of money, which banks consider "expensive" loans. It is for these two markets especially that SBA loan programs are so important.

*Question 4.* President Clinton has spoken often about his support for community development banks. *What will the SBA's role be in the development and implementation of this policy? In what way do you intend to coordinate your efforts with the Departments of Commerce and HUD?*

Answer. The President has proposed a network of such banks whose mission would be to provide loans for business as well as housing in distressed areas, both rural and urban, that have been underserved by traditional lending institutions. I strongly support the Administration proposal as it will:

- promote community development financial institutions;
- facilitate small business capital formation; and
- reduce paperwork for federal depository institutions

It is envisioned that government investment and technical assistance would supplement private funds and expertise. Many of SBA's programs use that concept and could easily be adapted to complement whatever structure is established. For example, SBA has a business development program that utilizes volunteer retired executives (SCORE) to individually counsel people who are interested in starting a business or expanding an existing business. SBA also has a microloan program that requires technical assistance be provided along with the loans. The Microloan Program enables low-income individuals to obtain small loans (usually between \$5,000 and \$25,000) through non-profit intermediaries to start and develop small enterprises.



### *Small Business Exports*

*Question.* It is commonplace to call small business the job engine of the American economy. But it is less commonplace to note that exports are an essential component for keeping that engine running. I am pleased that you have a background in export assistance and export finance. *What plans do you have to make the SBA better at assisting our smaller firms in selling to global markets? How do you plan to bring together the SBA's export programs with those of other agencies and departments?*

*Answer.* SBA's involvement in the Trade Promotion Coordinating Committee (TPCC) gives us an opportunity to improve our export programs and their delivery. With respect to export finance, we will undertake some dramatic steps that will provide a meaningful solution to the long-standing export financing problems of small business. In cooperation with our partner, the Export-Import Bank of the United States (Eximbank), we fully expect to begin generating greater loan volumes.

Eximbank and SBA are working to harmonize our respective agencies' export working capital programs to make them more attractive to both exporters and lenders. We intend to do this by eliminating duplicative and confusing applications and documentation, and by harmonizing our underwriting standards, policies and other program features. SBA will have sole responsibility for financing small businesses whose needs fall within SBA's individual borrower lending limits, currently \$750,000.

This process has already started with representatives from both agencies meeting on a weekly basis and with a series of meetings with existing lenders. In the end, we hope to establish a single U.S. Government export loan program that retains the best features of each agencies' program. I have prioritized this as a major SBA initiative and will ensure the field support and training necessary to make this initiative successful.

In addition to our export finance responsibilities, SBA will participate in the creation of "one-stop shops" and will continue to help small businesses evolve from export-willing to export-ready. By providing education, outreach and technical assistance to small businesses, we expect to help them grow to the point where they can take advantage of the programs offered by the Department of Commerce, Eximbank and others.

*Question.* I have introduced S. 979, the Global Greentech Jobs Initiative Act, which is designed to promote American environmental goods, services, and technologies. Among other things, the bill creates an Environmental Export Information Center. This Center would serve as a one-stop shop to provide information on: environmental needs of foreign countries; names of business contacts; environmental laws and regulations of foreign countries; sources of financial and technical assistance; and other information. Many small environmental firms in my State have endorsed this concept, because they currently lack the basic information necessary to begin selling their environmental products in international markets. *Do you, too, endorse this concept? How difficult do you believe it would be to pull together and keep current the kind of data base this legislation would require?*

*Answer.* I do endorse such a concept. Environmental technology is a new growth market which provides an excellent opportunity for U.S. companies, the leaders in this industry. In maximizing market penetration, however, U.S. businesses, particularly small businesses, face a number of obstacles, not the least of which are the tasks of gathering market information, completing export documentation, sourcing and financing for international ventures and getting paid. In addition, current and new exports of environmental goods and services face coordinated environmental trade policies from countries such as Canada, Japan, Italy and the United Kingdom.

Information on opportunities in foreign markets for environmental services and technologies will be provided through the Department of Commerce/SBA one-stop shops. EPA is also a participant in these shops. In these locations, potential and incipient exporters will have access both to market information from the Commerce Department and financing and technical assistance from SBA at the same location.

### *Reinventing Government*

*Question.* The SBA is one government agency that directly delivers services to citizens. As a former business person, who started and ran a service company, I believe the SBA must meet the same exacting standards of customer service that any private sector company must reach. *What plans are underway to ensure that the SBA performs effectively and provides real customer satisfaction? What other steps do you hope to take to "reinvent" the SBA? Can you provide me with some specific perform-*

ance measurements to evaluate your efforts? For example, in addition to making the SBA itself easier to access, do you believe that part of SBA's mission is to work with other government agencies to reduce the amount of paperwork that small businesses must complete?

Answer. I share the commitments made by Administrator Bowles to President Clinton to increase the efficiency and effectiveness of the SBA. My role as chief operating officer of the agency will require me to implement the changes necessary to meet those goals on a day-to-day basis. We intend to make SBA more "user friendly" by simplifying access to our services, making our service faster and more responsive, and eliminating duplication and wasted effort. Currently, SBA is undertaking a thorough, top-to-bottom management review with an eye towards streamlined operations, better targeting of our customers' needs, reduction or elimination of underutilized, wasteful or unneeded resources, and shifting of resources to meet the needs of small businesses.

While this review is not yet complete, we have already implemented a program of shifting personnel from the Central and Regional Offices to our District Offices, where services to our small business customers are actually delivered. We are improving delivery of our export assistance services by establishing "one-stop" shops with the Department of Commerce on a pilot basis. We have a major effort underway to reform our 8(a) program in order to increase the speed at which we decide on program eligibility. Finally, we are exploring the possibilities of focusing scarce resources to support job creation, exporting and critical technologies.

With regard to paperwork reduction, SBA is developing and testing simplified loan application forms for both business and disaster loans. I do believe part of SBA's mission to fight over-regulation and unnecessary paperwork at other government agencies, and the agency will continue to be very active in that regard.

#### *Credit Crunch*

*Question.* In the last several months, I have been meeting with small business leaders across my State. Most of them share a common concern: it has become painfully difficult to obtain new capital. One outstanding source of lending for small businesses has been the SBA's 7(a) loan program. *Are you and the current SBA leadership committed to this program? Are there efforts underway to ensure that the program reaches more potential borrowers? What other proposals does the SBA hope to put into place to ease the credit crunch?*

Answer. Administrator Bowles and I share a strong commitment to the 7(a) program. As a former banker, I realize the importance of this program to commercial lenders to enable them to serve their customers while at the same time preserving the quality of their balance sheets for regulatory purposes. We are fully committed to utilizing the 7(a) program to its fullest potential.

The SBA has mobilized its resources to respond to the growing need for credit in the small business community. One needs only to look at the huge increase in demand for the 7(a) program to know that this is true. SBA loan guarantee volume reached \$5.62 billion in FY 1992, a 37 percent increase over the previous year. In FY 1993, loan volume increased another 14 percent, to \$6.41 billion.

Working with the Congress, SBA has made great strides this year in achieving the ability to fully respond to the credit needs of small businesses. The \$175 million in additional credit subsidy which the Small Business Committee was so instrumental in obtaining allowed SBA to support \$3.2 billion in additional 7(a) lending in FY 1993. The credit reforms enacted as part of Senator Bumpers' bill, S. 1274, stretched those subsidy dollars much farther, giving SBA a total credit authority of \$7.8 billion in fiscal year 1993. The same reforms will provide SBA with \$8.8 billion in 7(a) lending authority for fiscal year 1994.

Another important attack on the credit crunch is the Clinton Administration's announcement in April to ease bank lending requirements so that healthy banks can make loans to small businesses. A major improvement will be the ability of healthy banks to once again make "character loans" to small businesses. These changes could provide as much as \$38 billion in loan capital for small business, growth, investment, and job creation.

*Question.* Minority businesses in particular have a difficult time obtaining credit. Recent legislative and regulatory changes seem to have made Specialized Small Business Investment Companies (SSBIC), which provide early-stage capital to minority firms, more attractive than they have been in the past. *How does SBA plan to publicize these changes and get more SSBICs off the ground? Would you be willing to provide my office with a summary of these recent changes?*

Answer. The Specialized Small Business Investment Company (SSBIC) program, the only federal program of its kind, is designed to encourage the flow of private

investment dollars to small disadvantaged businesses. SBA licenses, regulates and provides matching funds proportionate to the amount of private capital invested in the SSBIC, a strategy that has resulted in the provision of approximately \$1.2 billion in long-term investment dollars for more than 14,000 small disadvantaged businesses since the program's inception in 1969.

In 1989, SBA was legislatively authorized to sell at a discount the 3 percent Preferred Stock it holds back to the Specialized SBICs that issued the stock. The Agency conducted a pilot on this initiative and we are in the process of preparing a notice for publication in the Federal Register to announce full implementation. This initiative is our primary initiative to assist the Specialized SBICs. Its purpose is to help financially distressed SSBICs to restructure so that they can recapitalize and be more effective in providing risk capital to disadvantaged small concerns.

Also, the budget reconciliation package passed by Congress last summer contained a 50 percent exclusion on gains from sale or exchange of qualified small business stock in a C corporation if the investment is held 5 years or longer. For the investment to qualify, at least 80 percent of the assets of the corporation must be used by the corporation "in the active conduct of one or more qualified trades or businesses" (the active business requirement). Specialized Small Business Investment Companies are exempt from meeting the active business requirements, thus making investments in SSBICs comparatively attractive from a tax perspective.

Finally, recently enacted legislation allows State and local government funds to be counted as private investment for the purpose of determining SBA's contribution to SSBICs. This provides additional infusions of funding for SSBICs and creates partnerships between State and local governments, private investors and SBA.

We look forward to continuing to work with members of the Committee on changes in the program and will share any information with you as it develops.

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#### APPENDIX A

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